

The Effect of Balanced Scorecard on Strategy Participation

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Abstract
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PURPOSE OF THE STUDY

The purpose of this study is to explore whether a balanced scorecard promotes strategy participation and to examine how a balanced scorecard can be used as a strategic management system. In particular, it is investigated whether a balanced scorecard provides tools to increase employee participation in a strategy process, i.e. to facilitate a bottom-up process and communication.

DATA

Empirical data has been gathered through ten interviews from different organisational levels, from top management to operative level managers. In addition, other internal and external material is used for gaining a better understanding of the organisation and the context, as well as to improve the validity of the study. As the study is a qualitative study, theoretical framework was used for formulating interview questions.

RESULTS

The findings of this study show that strategy participation is linked to the willingness of an organisation to promote or hinder strategy participation, and if an organisation has decided to support strategy participation, using a balanced scorecard does not impede that. Indeed, using the balanced scorecard as a strategic management system facilitates strategy implementation, but it does not provide tools for promoting participation. The study corroborates previous studies as it shows that the balanced scorecard enabled the organisation to align the strategy in their everyday work.

KEYWORDS

Balanced scorecard, strategy participation, strategic management systems

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TASAPAINOTETUN TULOSKORTIN VAIKUTUS STRATEGIATYÖHÖN OSALLISTUMISEEN

TUTKIELMAN TAVOITTEET

Tutkimuksen tavoitteena on osoittaa miten tasapainotettu tuloskortti tukee strategiatyöhön osallistumista. Tutkimus pyrkii myös osoittamaan miten tasapainotetulla tuloskortilla voi ohjata strategiaa sekä ottamaan selvää tarjoaako tasapainotettu tuloskortti keinoja edistää työntekijöiden osallistumista strategiatyöhön, ts. helpottaa alhaalta ylös-prosessia ja kommunikointia.

LÄHDEAINEISTO

Lähdeaineisto kerättiin haastattelemalla kymmentä työntekijää eri organisaatiotasoilta ylimmästä johdosta operatiiviseen johtoon. Lisäksi käytettiin muuta sisäistä ja ulkoista materiaalia, joka auttaa ymmärtämään tutkimuksen kontekstia sekä parantamaan validitettia. Teoreettinen viitekehys toimi runkona haastattelukysymyksille.

TULOKSET

Tutkimuksen tulokset osoittavat, että strategiatyöhön osallistuminen on yhteydessä organisaation halukkuuteen edistää strategiatyöhön osallistumista. Jos organisaatio on päättänyt edistää strategiatyöhön osallistumista, ei tasapainotetun tuloskortin käyttö estä osallistumista. Kuitenkin, tasapainotetun tuloskortin käyttö strategian ohjaamisessa ei tue osallistumista. Tutkimus tukee aiempia tuloksia, sillä se osoittaa tasapainotetun tuloskortin helpottavan strategian implementointia ja yhdistävän strategian päivittäiseen työskentelyyn.

AVAINSANAT

Tasapainotettu tuloskortti, strategiatyöhön osallistuminen, strategian ohjaaminen

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1 INTRODUCTION

1.1 Motivation and background for the study

Members of top management are usually more involved in strategy process than employees, but example of Kaplan and Norton (1996b) reveals that even they can disagree on the accurate definition of a strategy. Indeed, a Finnish consulting agency TBWA/ North conducted a study in March 2010, which revealed that 53% of employees could not connect their daily work to the employer's strategy. To acquire better understanding of a strategy, Mintzberg (1998) divided strategy formation literature to ten different schools and defined a strategy from five different perspectives. To define the word 'strategy' simply, it could be said that a strategy provides guidelines to reach a long-term organisational goal. On the other hand, Minzberg (1998) has defined strategy as a plan, pattern, position, perspective and ploy, which illustrates the complex nature of a strategy. In order to convert a strategy into action, a strategy has to be implemented to an organisation, and therefore strategy implementation has become the important aspect of strategy research.

According to Atkinson (2006), strategic management systems are developed in order to control a strategy implementation process by providing short-term targets that can deliver long-term goals. One common and well-known strategic management system is a balanced scorecard developed by Kaplan and Norton. Moreover, the effect of implementing balanced scorecard has been studied extensively in recent years (e.g. Ahn, 2001; De Geyser et al., 2009; Epstein and Manzoni, 1998; Lipe and Salterio, 2000; Malina and Selto, 2001; Mooraj et al., 1999). At first, Kaplan and Norton (1992) developed a balanced scorecard to improve a measurement system by proving four measurement perspectives. Innovation and learning, internal processes, customer, and financial perspective balance a measurement system since there are financial and non-financial measures as well as historical and forward looking measures. The fundamental principles of a balanced scorecard link a scorecard tightly to a strategy as measures are based on a strategy map. A strategy map reveals perceived cause-and-effect principles, and a measurement system should replicate the cause-and-effect principles of a strategy. After organisations had used balanced scorecards a while, a capability to support a strategy was recognized and a balanced scorecard developed to a strategic

management system as Malmi (2001), Speckbacher et al. (2003) and Mooraj et al. (1999) pointed out. Ideally, a balanced scorecard should turn strategic goals into numerical targets, which enable organisations to compare their achievements to the planned strategy.

The benefits of using balanced scorecard as a strategic management system are linked to the structure of a balanced scorecard process. First, there is a lot of evidence supporting an argument that a balanced scorecard translates a strategy into operational terms (Kaplan and Norton, 1996; De Geyser et al., 2009; Fried, 2010). Second, previous literature shows that a balanced scorecard enhances the top-down communication of strategy (Kaplan and Norton, 1996; Ahn, 2001; Mooraj et al., 1999). Third, Kaplan and Norton (2001c) proposed that further benefits of a balanced scorecard are linked to the idea of getting everyone to understand an organisation's strategy and to align everyday work to a strategy. Fourth, a balanced scorecard is stated to enable strategic learning by enhancing communication and discussion in an organisation (Kaplan and Norton, 2001c; Ahn 2001, Mooraj et al., 1999). Learning can occur when actual outcomes are compared to an estimated outcome, after which the evaluation of strategic cause-and-effect linkages can be made. Lastly, Kaplan and Norton (2001c) argued that a balanced scorecard is able to mobilize leadership for change by increasing participation, communication, and employee innovation and initiative.

However, Mantere and Vaara (2008) suggested that a balanced scorecard may not enhance strategy participation. In spite of the expanding use of a balanced scorecard, there have been few studies focusing on strategy participation. At this point the study has to take a step aside and discuss term strategy participation more accurately. Strategy participation as such has not been studied as extensively as budget participation apart from Mantere and Vaara (2008). Therefore, this study attempts to shed more light on strategy participation by capitalizing participation knowledge gathered from previous studies made of budget participation. The findings of budget participation literature (Brownell, 1981; Brownell and McInnes, 1986; Chenhall and Brownell, 1988; Kren, 1992; Mia; 1989) are described, and particular interest is shown to study that Shields and Shields (1998) made of the antecedents that increase the value of budget participation, such as uncertain environment, information asymmetry and interdependent tasks.

Strategy formation is usually done by top management, but strategy formation can be seen also as a social process, in which a strategy can realize (Mintzberg, 1978). This implies that also other actors have a key role in a strategy formation, and it has been studied that non-senior managers participating to a strategy process have different kind of understanding of a strategy, which is valuable to the organisation (Aaltonen and Ikävalko, 2002; Mintzberg, 1994). Mantere and Vaara (2008) disagreed with the paradigm developed by Kaplan and Norton of a balanced scorecard as they pointed out that a balanced scorecard was mainly a creation of top management, who control a strategy process as well. Moreover, Mantere and Vaara (2008) argued that a balanced scorecard can hinder employee participation in a strategy process, which conflicts with the idea of improving communicating and discussing a strategy across an organisation. Furthermore, if an organisation uses a balanced scorecard as a strategic management system, a strategy process may turn out to be a strictly hierarchical and controlled process, where employees are treated as objects of measurement than individual actors in an organisation. Indeed, Mantere and Vaara (2008) stated that when a balanced scorecard is in use, the power of developing a strategy remains in top management and employees are seen only as resources managed by a system. Therefore, a question arises: although a considerable amount of research has shown the advantages of a balanced scorecard for a strategy process, can we assume that a balanced scorecard promotes strategy participation?

1.2 Research objectives

The contradicting views of researchers concerning a balanced scorecard and strategy participation constitute an interesting basis for this thesis. Researchers have reported conflicting observations concerning the effect of a balanced scorecard on a strategy process (Ahn, 2001; De Geuser et al., 2009; Mantere and Vaara, 2008; Mooraj et al., 1999; Otley, 1999) and on the other hand, some researchers (Fried, 2010; Kasurinen, 2002; Vaivio, 2006) have adopted a critical attitude towards previous findings and directly question the validity of the previous studies. Based on varying findings that have been made, the aim of this thesis is to explore whether a balanced scorecard promotes strategy participation and to examine how a balanced scorecard can be used as a strategic management system. In particular, it is investigated whether a balanced scorecard provides tools to increase employee participation in a strategy process, i.e. to facilitate a bottom-up process and communication. To develop a deeper understanding of the role of a balanced scorecard in a strategy

process and to build up the work of Mantere and Vaara (2008), this study will concentrate on a balanced scorecard and its effects on a strategy process.

Taking a more discursive perspective for examining a balanced scorecard and strategy participation, this thesis will explore following issues carefully:

- How a balanced scorecard affects strategy participation?
 - How a balanced scorecard can be used as a strategic management system?
 - What strategic discourses that can promote or impede participation are linked to a balanced scorecard?

Given the suggested increasing interest for using a balanced scorecard as a strategic management system, and the limited amount of research conducted in this area, this study aims at increasing our knowledge of how a balanced scorecard is actually deployed in an organisation. In particular, the study is focused on analysing the effect of a balanced scorecard on strategy participation. Therefore, by examining the research questions above, this study adds to previous management accounting literature in the following ways. First, it provides an insightful description how a balanced scorecard is used in the organisation. Although the use of a balanced scorecard is widely studied, this study focuses on how a balanced scorecard can be used as a strategic management system. Second, the study sheds more light on how the use of a balanced scorecard affects strategy participation and it builds up an academic discussion by providing a critical view towards the ability of a balanced scorecard to increase participation.

1.3 Methodology of the study

The method of this study can be categorized into qualitative management accounting research, which pursues finding explanations for case observations through interpretation. In particular,

qualitative management accounting research aims to produce a plausible fit between theory, data and problem (Ahrens and Chapman, 2006). The study is conducted as a single case study that focuses on one case company in order to provide a rich, detailed account of organisational processes, interest and competing sectional interests in the case company. To be exact, the study can be categorized into a theory refinement study (Keating, 1995) that brings a theoretical starting point, i.e. the effect of a balanced scorecard on strategy participation, under the loop of empirical examination and critical evaluation.

Empirical data has been gathered through ten interviews from different organisational levels, from top management to operative level managers. In addition, other internal and external material is used for gaining a better understanding of the organisation and the context, as well as to improve the validity of the study. As the study is a qualitative study, theoretical framework was used for formulating interview questions, but attention was paid on remaining sensitive also to issues outside the interview questions. The findings of this study were generated in an iterative process that is typical for qualitative management accounting research.

The organisation that was studied is a Finnish clothing industry company, which operates in retail store business. The company belongs to an international group, which net sales were in 2009 over 600 million euro. The group is established in the 20th century and it has faced many considerable changes over the years. The latest change was a major strategic change, which was carried out some years ago after the current CEO took over the company. The strategic change provided interesting material for the study, and allowed to make comparisons between current and past situation, and workings. The study is concentrated to business in Finland, where the operations are focused on sales activities, but all major functions are presented in the country organisation. The case company is called Casex Ltd. in the study. A more detailed discussion of the methodological issues and the realization of the study are provided in chapter three.

1.4 Findings in brief

Key findings of this study relate to the role of a balanced scorecard in implementing a strategy. Previous studies made of that subject present quite firm evidence that a balanced scorecard can be used for managing a strategy and facilitating the process of strategy implementation. This study corroborates partially with the previous studies, but observations based on the empirical evidence build on the theory of using a balanced scorecard as a strategic management system. In the case company, the balanced scorecard appeared to facilitate strategy implementation and moreover, *the balanced scorecard enabled the organisation to align the strategy in their everyday work.*

However, empirical data did not find support to all principles that a strategy-focused organisation should possess, if they use a balanced scorecard for managing a strategy. The most conflicting finding related to mobilizing the leadership for change, which concentrated on communication, participation, and employee initiative and innovation. Kaplan and Norton (2001a, 2001c) proposed that an enthusiastic leader is important in promoting participation, but the empirical data suggested that first an organisation has to decide to promote strategy participation and then choose a devoted leader, who concentrates on promoting bottom-up discussions and participation. These conditions are prerequisites to increase strategy participation if a balanced scorecard is used. A balanced scorecard itself creates a top-down process and communication that facilitate strategy implementation, but it does not provide tools for promoting participation. *It seems that strategy participation is directly linked to the willingness of an organisation to promote or hinder strategy participation, and if an organisation has decided to support strategy participation, using a balanced scorecard does not impede that.*

1.5 Structure of the study

Theoretical foundation of this study rests on the literature of a balanced scorecard, and more precisely on previous case studies made of Kaplan's and Norton's framework for using the balanced scorecard as a strategic management system (Kaplan and Norton, 1996a, 1996b, 2001a, 2001b,

2001c; Ahn, 2001; Atkinson, 2006; De Geuser et al., 2009; Mooraj et al., 1999; Kasurinen, 2002; Tuomela, 2005) as well as on the studies of examining the effect of a balanced scorecard on participation (De Geuser et al., 2009; Hall, 2008; Malina and Selto, 2000; Mantere and Vaara, 2008).

A following section presents the previous literature and theoretical framework used in this study. First, the definition of a strategy and strategic management system are discussed, as well as problems that organisations may have when they implement a strategy. Subsequently, the discussion is followed by the description of a balanced scorecard developed by Kaplan and Norton, after which the idea of using a balanced scorecard as a strategic management system is described more in detail. Thereafter, the study concentrates on research analysing the use of a balanced scorecard in strategy implementation. Theoretical part continues then with describing the features of budget participation and discourses promoting and impeding strategy participation.

The rest of the study is structured as follows. In chapter three methodological issues related to this study are discussed, and the findings from a case study are presented in detail in chapter four. Chapter five provides an analysis based on an iterative process between theoretical framework, data and problem. Finally, chapter six presents conclusions that can be drawn from this study and the limitations of the study as well as suggestions for further research.

2 THEORETICAL FRAMEWORK

This chapter represents theoretical underpinnings of the study. Most organisations have an action plan called strategy, which describes how they are going to be successful in the future. Strategic issues have interested researchers over the years, and they are consequently widely studied (e.g. Aaltonen and Ikävalko, 2002; Alexander, 1985; Minzberg, 1987, 1994; Mintzberg et al., 1998). First, we examine the definition of a strategy and then discuss the implementation of a strategy. Thereafter, strategic management systems are presented and Chenhall's (2005) framework for strategic management systems is described. Particular interest is shown to a balanced scorecard, which is depicted as a measurement system and as a strategic management system (e.g. Kaplan and Norton, 1996b, 2001a), and the latter is examined in detail. The study continues investigating the effect of a balanced scorecard on strategy participation, and in particular, to features that budget participation has and to discourses impeding and promoting participation (Mantere and Vaara, 2008).

2.1 Defining and implementing strategy

To fully understand theoretical framework to which the study is based on, defining what a word 'strategy' intends in this study is crucial. Not only formulation of the strategy, but also implementation of the strategy is critical to make an organisation successful. They are analysed next.

Strategy can be defined in many ways, but in this study we present two perspectives how strategy can be defined. Firstly, a traditional view of the strategy is depicted and secondly, the definition developed by Mintzberg (1987) is presented. Traditionally, it is said that a strategy provides guidelines to reach a long-term organisational goal.

This study adopts a definition that Mintzberg (1987) has developed concerning a strategy. The definition is a more sophisticated version compared to the traditional definition of a strategy, and it is called Five Ps for Strategy. Five Ps represent five perspectives how a strategy can be defined. According to Mintzberg (1998) most commonly a strategy is defined as a plan, which guides an action and provides a path from a current moment to the future. However, when comparing the planned and realized strategy, it can be noticed that they usually diverge and therefore, defining a strategy as a plan cannot be considered as a comprehensive definition. Second perspective suggests that a strategy can be seen as a pattern, which recurs over time. Strategy as a pattern links a strategy to the past behaviour and its recurrence, as planning focuses on future behaviour. Third, a strategy can be defined also in terms of competitive advantage: strategy as a position. The position comprises strictly defined location of an organisation's products and services in the market. Fourth, the concept of business is one perspective: strategy as a perspective. The way of doing things in a specific organisation can be also defined as a strategy. Last, strategy can be defined as a ploy. A ploy is fairly close to a plan, but the purpose of a ploy is to outwit a competitor. For instance, an organisation may let competitors think it is going to expand a product portfolio in order to discourage its competitors to do so.

In addition, to understand the essence of a strategy, the basic forms of a strategy should be separated (Mintzberg 1985). Figure 1 below illustrates the forms well. Strategy formation begins with planning and the outcome of planning is an intended strategy. Moreover, intended strategies are divided into non-realized strategies, which are not realized because of different reasons, and into a deliberate strategy. The final outcome, a realized strategy consists of a planned, realized strategy (deliberate strategy) and an emergent strategy. An emergent strategy is not expressly intended, but it is a realized pattern, which has been turned into an emergent strategy.

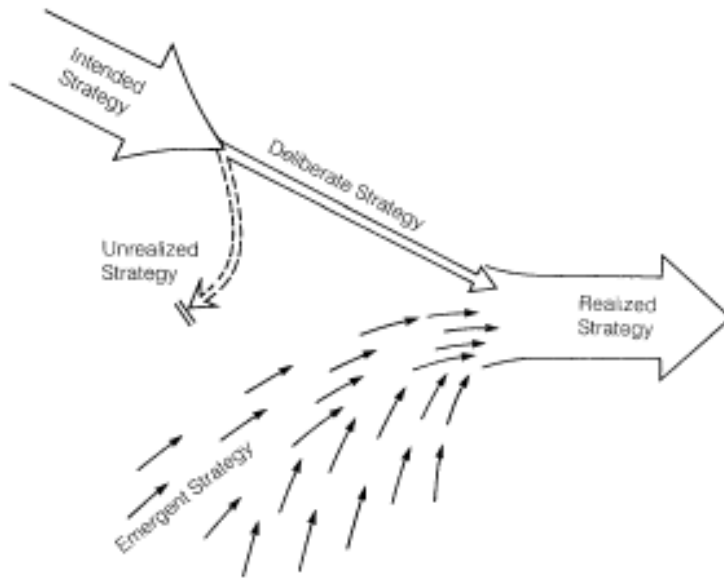


Figure 1. Deliberate and emergent strategies (Mintzberg, 1987, 14)

2.1.1 Strategy implementation

The process of strategy execution requires implementation after a strategy has been formulated, and this subsection focuses on transforming a strategy into action. Strategy implementation is a demanding and multi-phased process for organisations, which consists of communication, interpretation, adoption and action (Noble 1999). To be able to implement strategy successfully, organisations should aim at “matching the planned and realizing strategies, which together aim at reaching the organisational vision” (Aaltonen and Ikävalko, 2002, 416).

Atkinson (2006) pointed out that challenges in implementing a strategy have changed over time. Previously, challenges were related to inappropriate organisational structure and lack of top management support. However, for example Aaltonen and Ikävalko (2002) argued that is not anymore the case and major challenges in implementing a strategy are more cultural and behavioural in nature. The most common difficulties in strategy implementation relate to communication (Alexander 1985, Aaltonen and Ikävalko, 2002; Corboy and O’Corrbui, 1999; Giles, 1991), role of middle managers (Aaltonen and Ikävalko, 2002). Alexander (1985) found in

his study that poor communication hinders the implementation of a strategy, and suggested that two-way communication with employees would improve the strategy implementation. Aaltonen and Ikävalko (2002) pointed out that top-down communication causes still problems in implementation phase, and highlighted the importance of two-way communication as a mean to make a strategy understandable among employees as well. To make a strategy understandable, employees need a possibility to comment, query and question it. Related to communicational issues, Aaltonen and Ikävalko (2002) emphasized the role of middle managers to deliver a strategic message between their subordinates and superiors, for instance to filter strategic messages suitable for their subordinates. Middle managers play a significant role in ensuring the continuation of information flow and understanding of the strategy.

2.1.2 Strategic management systems

As strategy implementation encounters various challenges, strategic management systems have been developed in order to facilitate a successful implementation. According to Atkinson (2006) “strategic control systems provide a mechanism for keeping today’s actions in congruence with tomorrow’s goals and their importance to strategy implementation”, that is, they provide short-term goals that are aligned with long-term objectives.

Tavakoli and Perks (2001) pointed out that as the environment is changing constantly, strategic management systems have to possess an ability to take into account both deliberate and emergent strategies. Moreover, Tavakoli and Perks (2001) agreed with Goold and Quinn (1990), who suggested that strategic management systems should be able to tell managers are they on track and also provide opportunities to adapt and revise strategies when required. In addition, Goold and Quinn (1990) proposed a strategic control framework, which can be seen in figure 2.

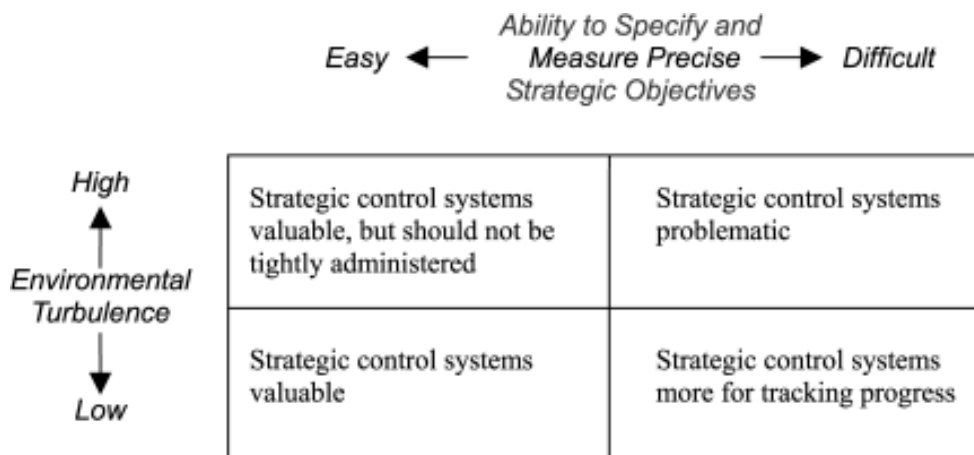


Figure 2. Strategic control framework (Goold and Quinn, 1990, 55)

The framework in figure 2 recognizes environmental turbulence and an ability of organisations to specify and measure their strategic objectives. As can be seen from figure 2, this model indicates that in order to support successful strategy implementation, particular control approaches are more suitable in different circumstances.

Furthermore, Chenhall (2005) developed a framework for strategic performance measurement systems, which facilitates delivering positive strategic outcomes. Chenhall (2005, 395) defined strategic performance measurement system as “financial and non-financial measures covering different perspectives which, in combination, provide a way of translating strategy into a coherent set of performance measures.” His definition of a strategic performance measurement system is adopted also in this study for a strategic management system. Accordingly, his model of integrative strategic performance measurement system strengthens strategic competitiveness through the mediating roles of aligning manufacturing with strategy and organisational learning. Three criteria that an integrative strategic performance measurement system must fulfil are:

1. System provides strategic and operational linkages that integrate a strategy and operations,
2. System provides customer orientation by having customer linkages with financial and customer measures, and
3. System provides supplier orientation by having supplier linkages with business process and innovation measures.

To summarize this section, strategy formulation and implementation have provoked researchers' interest and they still do. Mintzberg's (1987) definition of a strategy is widely used and creates an appropriate basis for this study as well as Chenhall's (2005) definition of a strategic performance measurement system. The aforementioned challenges in the implementation of a strategy demonstrate needs for strategic control systems, and in the next section it is examined whether a balanced scorecard can facilitate implementing a strategy.

2.2 Implementing strategy with balanced scorecard

To begin with a balanced scorecard, its creators, Robert Kaplan and David Norton, first proposed that a balanced scorecard should be mainly used as a measurement system. However, after a balanced scorecard had been in use in various organisations, they discovered that it could be used as a strategic management system as well. The idea of a balanced scorecard used as a strategic management system has aroused abundant interest, and considerable number of studies has been made of that subject (e.g. Ahn 2001, Atkinson 2006, De Geyser et al. 2009, Mooraj et al. 1999, Kasurinen 2002, Tuomela 2005, Vaivio 2004). This section is divided into three parts. First, a balanced scorecard as a measurement system is described. Following that, the study goes deeper to strategy implementation, and the depiction of the balanced scorecard as a strategic management system is provided. Lastly, a relationship between a strategy and a balanced scorecard is illustrated, which is called a strategy focused organisation.

2.2.1 Balanced scorecard as measurement system

At first, Robert Kaplan and David Norton (1992) developed a balanced scorecard as a measurement system for top management, to provide a comprehensive understanding of business. Accordingly, a balanced scorecard is advantageous to business as it is able to cut down measures and thus, help an organisation to concentrate on critical measures. Another advantage comes from controlling a sub-optimization problem as all four aspects are seen at the same time and it can be seen whether an improvement in one area weakens the other area. A balanced scorecard couples financial measures, which describe the results of actions, and operational measures including customer satisfaction, internal processes, and innovation and learning that drive the future performance. A feature that distinguishes a balanced scorecard from other performance measurement systems is four perspectives mentioned above, and they answer following, vital questions for business:

- | | |
|---|-------------------------------------|
| 1. How do customers see us? | Customer perspective |
| 2. What must we excel at? | Internal processes perspective |
| 3. Can we continue to improve and create value? | Innovation and learning perspective |
| 4. How do we look to shareholders? | Financial perspective |

Next, a light is shed on four perspectives that a balanced scorecard is based on.

Customer perspective

Customer satisfaction usually results from time, quality, performance and service and/or cost related to a product or service, and therefore organisations should take into account these features when developing customer perspective measures. Kaplan and Norton (1992) suggested that an organisation can measure time as a lead time: time required meeting customer's needs, and quality can be measured on the basis of on-time deliveries or defected products returned. In addition, performance and service should be measured based on how they create value to customers. However, there might be difficulties when defining for instance on-time deliveries as customers can

define on-time delivery differently than the organisation. Therefore, an organisation should pay attention that measures are based on customers' expectations, not on an organisation's expectations.

Internal processes perspective

According to Kaplan and Norton (1992), a successful customer perspective measures derive from excellent internal processes, and without excellent processes, decisions, and actions an organisation is unable to reach goals set for customer satisfaction. In order to recognise which processes are the most important for an organisation, core competencies and critical technologies should be defined and then the most suitable measures for critical processes should be specified. Kaplan and Norton (1992) mention productivity, employee skills and quality as some of the critical internal processes used in organisations.

Innovation and learning perspective

As customer and internal processes perspectives focus on existing business and products and services, Kaplan and Norton (1992) argued that innovation and learning perspective is looking forward to new business opportunities and changing challenges. Innovation and learning perspective is linked to the future of the organisation: how the organisation is going to improve, innovate and learn to be successful in the global environment? Innovation and learning takes place mostly in new product development and in the improvement of operational processes according to Kaplan and Norton (1992).

Financial perspective

Financial perspective can include common measures such as profitability, growth and shareholder value. Kaplan and Norton (1992) pointed out that financial measures indicate whether an improvement in other areas or for example the implementation of a strategy increase profit. If improvements in other perspectives fail to affect positively profit, either competitive strategy or key success factors defined above are not correct. If improvements in measures fail to generate profit, a cause-and-effect principle does not hold. In such situation Kaplan and Norton (1992) advised to re-examine a strategy or an implementation plan.

To summarize, a balanced scorecard developed by Kaplan and Norton (1992) includes three additional perspectives besides financial perspective. Customer satisfaction, excellent internal processes, and innovation and learning aid top management to understand comprehensively an organisation. In addition, top management is able to measure future performance with operational measures. Furthermore, a balanced scorecard enables an organisation to align measurement with a strategy as measures are based on an organisation's strategy and vision.

2.2.2 Balanced scorecard as strategic management system

Most organisations' operational and management control systems are built around financial measures and targets, which bear little relation to an organisation's progress in achieving long-term strategic objectives. Thus, most organisations place emphasis on short-term financial measures, and leave a gap between the development of a strategy and its implementation. A balanced scorecard allows management to rely not only on short-term financial measures as sole indicators of organisation's performance, but also three different, operational measurement set. Balanced scorecard introduces four management perspectives that contribute to linking long-term strategic objectives to with short-term action. (Kaplan and Norton, 1996b)

Keeping aforementioned statement in mind, Kaplan and Norton (1996b) argued that a balanced scorecard can be used as a strategic management system, and it has ability to link short-term goals to long-term objectives that Atkinson (2006) required from. The use of a balanced scorecard has evolved, and organisations are utilizing a balanced scorecard in various ways (Henri, 2006; Malmi, 2001; Mooraj et al., 1999; Speckbacher et al., 2003; Yu et al., 2009). The longer organisations are using a balanced scorecard, the more probable it is that a balanced scorecard is used in facilitating the implementation process of a strategy. However, Kaplan and Norton (2001b) admitted that not all balanced scorecards in use are strategic management systems, and a balanced scorecard could be used as a stakeholder scorecard or as a key performance indicator scorecard. These scorecards are missing a critical cause-and-effect relationship between measures, and they are not intended to support strategy implementation. Next, a light is shed on how a balanced scorecard can be used as a

strategic management system to receive an accurate impression that assists in reflecting the essence of a balanced scorecard.

According to Kaplan and Norton (2001b), a balanced scorecard describes how value-creating strategies can link intangible and tangible assets. In addition, it can also depict how intangible assets are mobilized and combined with tangible assets to create customer-value propositions and thus, better financial outcomes. A balanced scorecard has four perspectives, into which the strategic objectives can be divided:

Financial perspective measures performance from shareholders' point of view. Financial perspective evaluates an organisation's strategy for growth, profitability and risk.

Customer perspective evaluates a strategy for value creation and differentiation from customers' point of view.

Internal business processes' perspective measures the strategic priorities of business processes, which aim to create a customer and shareholder satisfaction.

Learning and growth perspective concentrates on creating a climate supporting organisational change, innovation and growth. (Kaplan and Norton, 2001b)

Organisations that pursue using a balanced scorecard as a strategic management system have to first develop a strategy map. A strategy map enables organisations to align their balanced scorecard with a strategy as it specifies critical elements and their linkages to an organisation's strategy, and therefore clarifies an assumed causality between linkages in a strategy. According to Kaplan and Norton (2001b), critical elements include targets for growth and profitability in order to increase shareholder value through market share as well as acquisition and retention of profitable customers. They also include value propositions to gain higher margin, and innovation and excellence that deliver value propositions, promote operational improvements and meet expectations and regulatory requirement. In addition, investments made in people and systems are concerned as one of the critical elements as they generate and sustain growth. Kaplan and Norton (2001b, 90) describe in detail the development of a strategy map: "Organizations build strategy maps from the top down,

starting with the destination and then charting the routes that lead there. Corporate executives first review their mission statement, why their company exists, and core values, what their company believes in. From that information they develop their strategic vision, what their company wants to become. This vision creates a clear picture of the company's overall goal, which could be to become a top-quartile performer. The strategy identifies the path intended to reach that destination.”

Every profit-seeking organisation pays attention to financial measures i.e. to financial perspective, which aims at increasing shareholder value. Shareholder value can be increased with both revenue growth and productivity strategy, which both have two elements that Kaplan and Norton (2001b) pointed out: revenue growth can be achieved through extension of business to new markets, products and customers or through increasing sales to existing customers with both cross-selling of multiple products and services, and offering complete solutions. Productivity can be enhanced with a cost structure improvements and higher asset utilization.

After a strategy to increase shareholder value has been defined in an organisation, Kaplan and Norton (2001b) argued that an organisation has to make a decision of its customer strategy, and to be exact, a customer value proposition. It determines an organisation's mix of products, price, services, relationship and image. A customer value proposition offers a way to differentiate an organisation from competitors and to attract and retain targeted customers. Organisations can choose from three different value propositions the most suitable for them, which also provides competitive advantage for an organisation.

1. Operational excellence can be used as a customer value proposition, if an organisation is able to distinguish itself from competitors with operational issues. For example, other organisations use an organisation for benchmarking quality, price or on-time delivery.
2. An organisation's value proposition can be customer intimacy, if an organisation focuses on customer relationships. Customer intimacy requires that an organisation devotes itself to superior service and fulfilment of individual customer needs i.e. finding the most complete and suitable solutions for individual customers.

3. A product leadership strategy requires that an organisation pursues functionality, features and performance of their products and services. (Kaplan and Norton, 2001b)

Moreover, Kaplan and Norton (2001b) stated that a customer perspective defines also the targets of a pursued customer strategy, which can be market share of targeted customers segments, acquisition and retention of customers or customer profitability.

According to Kaplan and Norton (2001b), internal process perspective provides an organisation means to achieve a targeted customer value proposition and financial objectives in which an organisation must excel. The implementation of improvements in internal processes is essential, if an organisation wants to differentiate itself from competitors with a customer value proposition. Kaplan and Norton (2001b) divided internal processes into four value creating procedures. First, an organisation should promote innovation to develop new products and services, but also penetrate to new markets and customer segments in order to establish a long-term revenue growth. Second, customer value can be increased by expanding and deepening relationships with existing customers to generate a medium-term revenue growth. Third, a short-term revenue growth can be achieved by improving operational efficiency such as asset utilization, resource-capacity management and supply-chain management, which all aim to cost savings. Last, internal process of becoming a good corporate citizen enables the establishment of effective relationships with external stakeholders.

Kaplan and Norton (2001b) pointed out that a strategy is based on assumptions about employee capabilities and skills, technology and corporate climate, which are needed to implement an intended strategy. The fourth perspective of a balance scorecard, learning and growth, ensures that an organisation has resources required in use so it is able to align human resources and information technology with strategic requirements, which result from defining a customer value proposition, critical internal processes and customer relationships. After all perspectives are defined, an organisation has a strategy map, which provides linkages between perspectives so that cause-and effect relationships are on sight.

Now that the strategic features of a balanced scorecard are presented, it can be evaluated whether theoretical requirements for a strategic management system are satisfied. As mentioned earlier, Atkinson (2006) insisted that the system must link short- and long-term goals. Kaplan and Norton have corresponded (1996a, 1996b, 2001a, 2001b, 2001c) that a balanced scorecard can link short- and long-term objectives as financial and non-financial measures are used. Tavakoli and Perks (2001) argued a strategic management system has to be able to pay attention to intended and emergent strategies. Indeed, this requirement needs further investigation for being answered, and will be examined in the next subsection. Finally, Chenhall (2005) pointed out three criteria that a strategic performance measurement system must meet to enhance strategic performance. In an ideal situation, a balanced scorecard can meet the criteria. Yet, Chenhall (2005) concluded that not all balanced scorecards meet the requirements if they are used as key performance indicator scorecards, of which Kaplan and Norton (2001b) were aware as well.

2.2.3 Aligning balanced scorecard and strategy

After the strategic perspectives of a balanced scorecard are illustrated and examined, it can be said that a balanced scorecard can be used as a strategic management system. However, not all balanced scorecards are used with the view of facilitating strategy implementation. Strategic perspectives form a basis to create a strategy map for an organisation, and consequently a strategy map provides a framework for strategy implementation. For an implementation phase Kaplan and Norton (2001c) have distinguished five indicators, or principles, how an organisation can align a balanced scorecard and a strategy. Kaplan and Norton (2001c) call an ideal organisation as a strategy-focused organisation, which means an organisation complies with all principles. Principles are listed below, and additionally figure 3 illustrates more in detail how principles can be realized in practise:

1. Translating the strategy to operational terms
2. Aligning organization to create synergies
3. Making the strategy to everyone's everyday job
4. Making the strategy a continual process
5. Mobilizing leadership for change

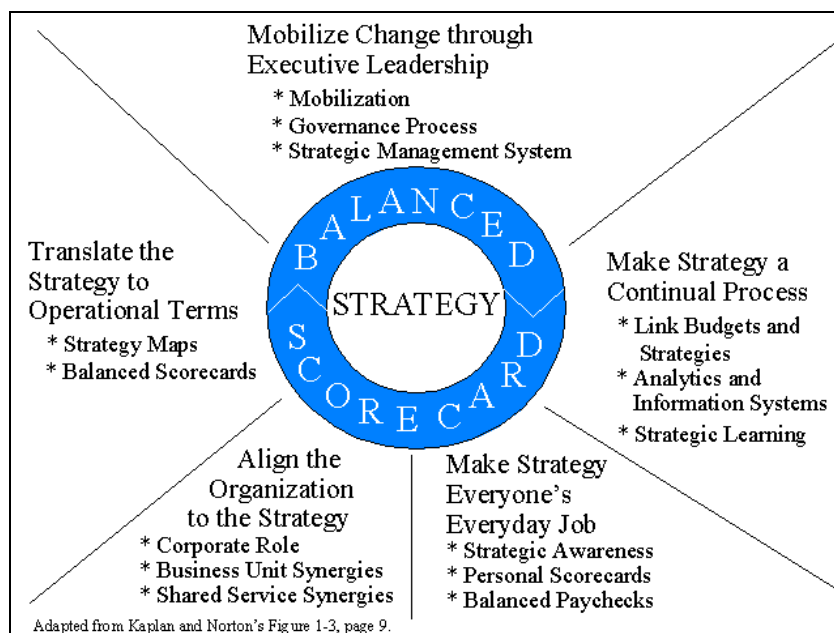


Figure 3. The principles of a strategy-focused organisation (Kaplan and Norton 2001a, 9)

Next, the principles, which can be seen from figure 3 as well, are scrutinized and compared to studies concentrating on a balanced scorecard and strategy implementation.

Translating the strategy to operational terms

According to Kaplan and Norton (2001c) translating the strategy to operational terms creates a common and understandable point of reference for all organizational units and employees. In addition, translating a vision facilitates the process of building a consensus around an organisation's planned strategy (Kaplan and Norton, 1996b). Operational terms are determined in the aforementioned strategy map process depicted in subchapter 2.2.1, which links a strategy to action. Operational terms are the outcomes of a strategy map, for example measures. Moreover, Kaplan and Norton (1996b) described a strategy map as the integrated set of objectives and measures, which are agreed upon by all senior executives and it shows

the long-term drivers of success. Summing up, organisations should translate their strategy into a logical strategy map and further to a balanced scorecard in order to specify critical elements in detail in their strategy.

De Deuser et al. (2009) agreed with Kaplan and Norton (1996b, 2001c) that balanced scorecard forces organisations to translate their strategy into strategic goals, which can be monitored and evaluated on a continual basis. Also Bhimani and Langfield-Smith (2007) corroborated with a view that successful strategy development and implementation translates a strategy into tangible and identifiable activities. Mooraj et al. (1999) observed that a balanced scorecard facilitated the process of aligning measures to a strategy. In addition, Malina and Selto (2001) and Ahn (2001) found promoting evidence of the ability of a balanced scorecard to link long-term and short-term goals. However, Kasurinen (2005) doubted the idea of long-lasting strategies, and questioned the meaningfulness of making such strategies and balanced scorecards to all organisations. Also Ferreira and Otley (2009) noted that a strategic management system has to be adapted to a changed strategy and environment to remain effective, but Vaivio (2006) intensified an argument by stating that organisations cannot afford to have a fixed strategy in the increasingly turbulent environment. Accordingly, more important are an organisation's flexibility and adaptability than strictly planned strategies. He also argued that the illusion of a strategy being effectively formalised and monitored step-by-step can be dangerous for organisations, as it can lure management to forget a big picture.

Aligning organization to create synergies

Aligning an organisation to a strategy can be one of the major barriers to strategy implementation as communicating and coordinating between different units and functions with specific knowledge, language and culture can be challenging (Kaplan and Norton, 2001c). Individual strategies must be linked and integrated to a corporate strategy for organisational performance to be more than the sum of its parts. A strategy map defines linkages, which are expected to create synergy and ensures that linkages occur. In addition to

business units, a strategy-focused organisation aligns supporting functions to a strategy such as human resources, finance and information technology. When an organisation has aligned its operations, business units and staff functions have well-defined strategies, which are articulated and measured by a balanced scorecard and a strategy map.

According to Aaltonen and Ikävalko (2002), an organisational structure rarely causes problems with strategy implementation. De Geuser et al. (2009) found supporting evidence as well. They argued that using a balanced scorecard for aligning resources to strategic objectives leads to positive organisational performance. However, in 1980's Alexander (1985) and Reed and Buckley (1988) observed that an organisational structure did hinder strategy implementation. Vaivio (2006) disagreed with the presented view of aligned organisation as he argued that an organisation's strategy is merely a loose assemblage of sub-strategies, which try to serve multiple different circumstances. However, there is no supporting evidence on Vaivio's (2006) arguments among studies concentrating on a balanced scorecard.

Making the strategy to everyone's everyday job

A strategy-focused organisation makes the strategy everyone's everyday job (Kaplan & Norton, 2001c). Furthermore, Kaplan and Norton (1996b) argued that communicating and linking allows an organisation to communicate a strategy up and down in an organisation and link it to departmental and individual objectives. A balanced scorecard enables all levels of an organisation to understand a long-term strategy and that both departmental and individual objectives are aligned with a strategy. If a strategy is well communicated and understood, employees are able to conduct their day-to-day business in a way that supports a strategy. Organisations should communicate their strategy and balanced scorecard holistically in order to implement a balanced scorecard successfully. Instead of cascading objectives through the chain of command, targets should communicate a strategy down to individual employees. Moreover, individual employees and departments at lower level should be challenged to develop their own balanced scorecard objectives to ensure a successful strategy implementation.

There is supporting evidence for Kaplan and Norton's statement (1996b) that communicating a strategy across the organisation is one of the most important issues in successful strategy implementation (Alexander, 1985; Aaltonen and Ikävalko, 2002; Goold, 1991) and a balanced scorecard is proven to be helpful when an organisation communicates a strategy to all members in an organisation (Ahn, 2001; Mooraj et al., 1999; Otley, 1999). However, communicating is still a challenge for organisations (Ferreira and Otley, 2009). Malina and Selto (2001) observed that communication with a balanced scorecard meant that information was cascaded down as a top-down process, of which Kaplan and Norton (1996b) were cautious as they commented that an organisation should communicate a strategy "instead of cascading objectives." Indeed, Aaltonen and Ikävalko (2002) pointed out middle managers' role as a mediator between top management and lower level employees to ensure information flow. Kaplan and Norton (1996b) proposed the implementation of unit and individual scorecards, which would engage middle managers to a strategy process, as well as to provide a solution to a middle management involvement problem.

In dynamic contexts, a strategy is often reshaped and consequently, strategic measurements and compensation linked to measures must also change. Therefore, building measurement tradition can be challenging and according to Vaivio (2006) changing measures do not allow management to really understand figures and realize their true meaning. Kaplan and Norton (2001c) agreed as they stated organisations should link their compensation system to a balanced scorecard after managing a scorecard for a year, and measures have to be sensible, have valid and reliable data collection processes, and measures should not be easily manipulated. Once measures and data are confident, a compensation system linked to a balanced scorecard can be introduced to an organisation. Malina and Selto (2000) agreed with aforementioned statements as they reported positive relationship between the measures of a balanced scorecard and compensation. Tuomela (2005) described a compensation system that was not directly linked to a balanced scorecard, but linked to non-financial measurements. A compensation system was not directly linked to a balanced scorecard as management wanted to enhance discussion and learning instead of reward or punishment atmosphere. Moreover,

Ittner et al. (2003b) found supporting evidence that linking compensation to a balanced scorecard, in particular to non-financial measures, resulted in improved performance. The use of non-financial measures in compensation has been also studied in practise by Ittner et al. (2003a) and Lipe and Salterio (2000), but they observed conflict between theory and practise: the majority of measures that are linked to compensation are financial measures, not non-financial measures due to their more ambiguous character compared to financial measures.

Making the strategy a continual process

Organisations usually base their management processes around budget and operating plan and may unintentionally ignore strategy management, although making the strategy a continual process allows an organisation to ingrate management processes (Kaplan and Norton, 2001c). To make a strategy a continual process, organisations should first link their budgeting process to a strategy. A strategy can be linked to a budget through creating operational and strategy budget. A strategy budget ensures investments in developing new capabilities, reaching new customers and markets and improving existing processes. Second, when strategy is made a continuous process, management meetings dealing with a balanced scorecard and strategy are introduced on a monthly or quarterly basis. In addition, open reporting supports the idea of making strategy everyone's everyday job. Results that are made available for everyone in an organisation allow employees to see how an organisation is performing at the moment. Finally, a continual process evolves and it becomes also a process for learning and adapting the strategy. Learning and adaptation develop through analysing strategic hypotheses: first, an organisation makes its best estimate actions needed to perform well, and then it is able to test strategic hypotheses with a balanced scorecard. Testing is possible since cause-and-effect linkages are created earlier to a balanced scorecard. If a linkage is working, higher values in one perspective should be reflected also in the other perspectives.

According to Ahn (2001), making a strategy a continual process is possible and one of the strength's of a balanced scorecard. Quarterly meetings and integration to other control systems were seen as advantageous in the light of strategy implementation. Ahn (2001) also

believed that strategic feedback and learning is possible when organisation is testing a cause-and-effect linkage between assumptions and actual correlations. However, an organisation did not have enough experience to tell whether the results of testing were reliable. Also De Geuser et al. (2009) found supporting evidence on the continual process of a strategy. Fried (2010) promoted the idea that a balanced scorecard can be used for learning purposes in an organisation. She separated the definition of learning to single loop, double-loop and deuterio learning, in which a learning process is most intense in deuterio learning. Accordingly, she found that strategic management system enabled double-loop learning i.e. strategic learning (Kaplan and Norton, 2001c), which means that an organisation uses a balanced scorecard not only for monitoring purposes, but also to alter organisational practises such as norms, procedures, strategies and objectives. Malina and Selto (2000) pointed out as well that a balanced scorecard can be used as a guide for changes, modifications and improvements, which underpins a statement that a balanced scorecard can be used for strategic learning.

Mobilizing leadership for change

A balanced scorecard process and a strategic management system process require mobilising leadership for change. Managing a strategy requires an active executive team, who coordinate strategic changes are implemented to a balanced scorecard, as it can be seen a change project according to Kaplan and Norton (2001c). First, a process has to be launched to get a process mobilized. Thereafter, a new performance model has to be installed and gradually, a balanced scorecard can be institutionalized to an organisation as a strategic management system. To get a balanced scorecard project started “the most important criterion is to have senior executive in the balance scorecard process, who emphasizes communication, participation and employee initiative and innovation” (Kaplan and Norton, 2001a, 353). A balanced scorecard enhances also a possibility to recognize a demand for change in a strategy as it should be used as a system for provoking questions, debate and dialogue. After all, the principle of mobilising leadership depends mostly on a leader’s capability to create a climate for change and clarify a vision, and to promote communication, discussions and learning.

There is conflicting evidence on the last principle that Kaplan and Norton (2001a, 2001c) presented. Ferreira and Otley (2009) pointed out also that changes have to be implemented to a balanced scorecard; otherwise it will not reflect an intended strategy. Supporting evidence has been found that a balanced scorecard enhances communication (Ahn, 2001; Mooraj et al., 1999; Otley, 1999), but in addition to communication perspective, a participation perspective has been studied. De Geuser et al. (2009) and Malina and Selto (2000) did corroborate Kaplan's and Norton's (2001a, 2001c) statement that a balanced scorecard increases participation. Indeed, they have observed that communication is mostly top-down, and therefore the participation of employees is not on a satisfactory level. De Geuser et al. (2009, 114) framed the dilemma following: "It is also hard to develop the legitimacy of such 'tools' at the operational levels if the users do not participate in the choice and development stages." However, Hall (2008) found a relationship between a comprehensive performance measurement system and managers' increased motivation and cognition, which could be interpreted as supporting evidence that a balanced scorecard increases participation. In the next section, the problematic question of the role of a balanced scorecard in strategy participation is examined further.

2.3 Strategy participation

After the strategic features of a balanced scorecard have been depicted, it seems that studies made of participation generated conflicting findings compared to the statement that Kaplan and Norton (2001a, 2001c) made that a balanced scorecard can be used as a system for provoking questions, debate and dialogue. De Geuser et al. (2009) and Malina and Selto (2000) did not find supporting evidence on increased participation, instead they found that the balanced scorecard does not fundamentally support participative action. On the contrary, Hall (2008) observed that a balanced scorecard can increase motivation and cognition. To refer earlier parts of theory, in subsection 2.1.1 Aaltonen and Ikävalko (2002) highlighted the importance of bottom-up communication for strategy implementation, as employees can make a strategy understandable by questioning it. Bottom-up communication facilitates

participation (for example Goold and Quinn, 1990). In addition, the role of middle managers in promoting bottom-up information is significant and part of the dilemma as well.

To gain a better understanding of participation, studies concerning budget participation are presented and in particular, strategic discourses that have an influence on participation in an organisation are depicted. Atkinson (2006) suggested that if a balanced scorecard is implemented fully and participatively, it can engage the management in the evaluation of a strategy, and therefore avoid planning errors and discourage oversight. Participation itself has many positive effects on strategy implementation such as solving organizational problems through better communication and utilization of knowledge, improved decision-making, lower resistance to change, and greater ownership of goals (Goold and Quinn, 1990; de Haas and Kleingeld, 1999; Otley and Ferreira, 2009). Furthermore, de Haas and Kleingeld (1999) pointed out that participation is the essential part of a strategic dialogue as it enables double-loop learning. To clarify a participation perspective, more light is shed on budget participation as strategy participation has not been studied as extensively as participation in budgeting. Budget participation literature can provide a deeper understanding of the features of strategy participation by capitalizing previous research made of participation. Furthermore, strategic discourses that can promote and impede strategy participation are presented in last subsection.

2.3.1 Features of budget participation

In order to understand better how participation can affect strategy process, budget participation research is examined to see how participation has affected budgeting process. Budget participation has been studied from various perspectives (Nouri and Kyj, 2008; Perez and Robson, 1999; Shields and Shields, 1998) and a relationship between budget participation and performance has aroused researchers' interest over the years (Brownell, 1981; Brownell and McInnes, 1986; Chenhall and Brownell, 1988; Kren, 1992; Mia, 1989). Budget participation research has studied multiple relationships that can have an impact on budget participation, and Shields and Shields (1998) clarified different variables, which can have an

effect, and the way how they can influence on budget participation. They determined six variables, and the relations can be seen from figure 4 below.

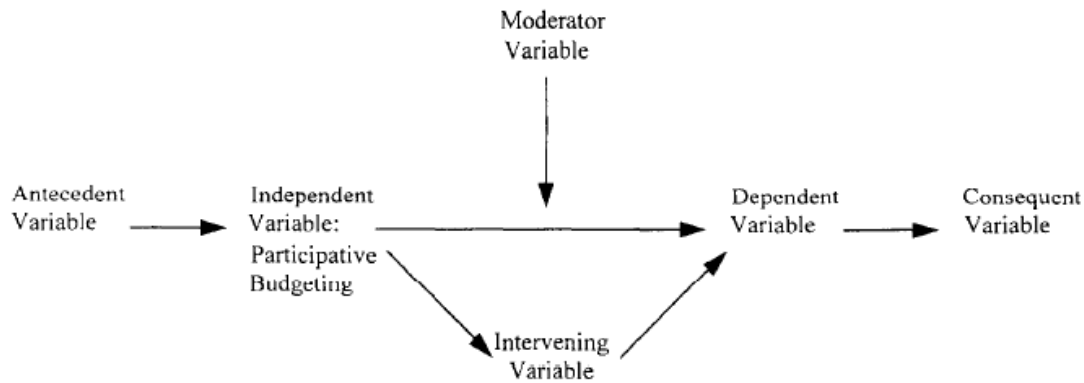


Figure 4. Different variables affecting budget participation (Shields and Shields, 1998, 51)

Figure 4 shows possibilities how budget participation can influence on different factors, and which variables can affect dependent factor of which researchers are generally interested in. The dependent factor can be for instance motivation, performance or satisfaction. Hypothetically, the same variables could shed more light on strategy participation and its effects. Shields and Shields (1998) observed three situations, where participative budgeting can be used for specific purpose. First, if environment is uncertain, participative budgeting can facilitate planning and goal setting. Second, if there is information asymmetry in an organisation, participative budgeting can be used to motivate subordinates. Third, if there is task interdependence, participative budgeting can coordinate interdependence. These factors influence positively on participation, and under the specific circumstances participative budgeting can help planning and goal setting, motivate subordinates and coordinate interdependencies. If these advantages of budget participation are analysed bearing in mind strategy participation, it could be perceived that strategy participation could have the same advantages in those specific situations. If environment is uncertain, strategy participation can

generate different views of the future and therefore, enable to make different plans for different outlooks in advance. If there is information asymmetry, strategy participation could foreground critical perspectives that would not come up otherwise. For the last factor, task interdependence, strategy participation could offer more in terms of understanding interdependencies, and using them to create synergies and coordinated action in an organisation.

The relationship between budget participation and performance has been studied from multiple angles that could explain a relationship better. For example motivation, role ambiguity, locus of control, job-relevant information and job difficulty (Brownell, 1981; Brownell and McInnes, 1986; Chenhall and Brownell, 1988; Kren, 1992; Mia; 1989) has been studied in order to explain a relationship more accurately. As performance is dependent variable, figure 4 shows that other influential variables excluding budget participation are moderating and intervening variables, through which a relationship has been analysed. When it comes to strategy participation, a relationship to performance could also be as ambiguous as it is with budget participation. Brownell (1981) argued that individuals perform better under budget participation, if they feel they have control over their destiny. At the same time, budget participation decreases performance, if individuals feel that they are not able to control their destiny, but it is controlled by external powers such as luck, chance or fate. Brownell's (1981) finding could be interpreted so that individuals, who believe that they can affect environment are more willing to participate and thus, participation enhances their performance. Brownell and McInnes (1986) found that increased motivation stemming from budget participation could not provide plausible explanation for enhanced performance, but Chenhall and Brownell (1988) argued that budget participation decreases role ambiguity, and that can result in better performance and increased job satisfaction as well. It could be perceived at ease that strategy participation complies with the same principle as well.

Kren (1992) and Mia (1989) found different variables that affect performance and budget participation. Kren (1992) argued that job-relevant information affects performance. He found evidence that in uncertain environment budget participation enhances performance, which

supports the findings of Shields and Shields (1998). Mia (1989) proposed that job difficulty would be moderating variable that explains performance. He stated that individual performs better, if job difficulty matches with the amount of participation. So if an individual has difficult job, participation should be also on a high level, and this combination in turn increases individual's performance. Research that attempts to explain a relationship between budget participation and performance provides many potential perspectives for studying strategy participation, but this study concentrates on the explanation that Shields and Shields (1998) provided for budget participation: specific situations, which are common in contemporary organisations and problems to which budget participation can contribute.

2.3.2 Discourses impeding and promoting strategy participation

A critical organisational discourse perspective provides a suitable approach for analysing strategy participation as it focuses on how discourses can construct identities and power relations (Mantere and Vaara, 2008). Discursive perspective pays attention to an issue that discourses are influenced by social conditions, and they also construct a social reality. Indeed, a language itself is a mean to construct and reproduce the world as it is experienced. Concepts that discourses create can give a meaning to an organisational phenomenon such as a strategy, and they make up a vocabulary through which a phenomenon can be made sense. In addition, discourses can legitimate and naturalize specific ideas linked to a strategy such as 'visions' or 'top-down' or 'bottom-up' approaches, and they can also legitimate and naturalize general conceptions linked to strategy discourses, i.e. managerialist, instrumentalist and male-dominant conceptions of organising (Knights and Morgan, 1991). However, Mantere and Vaara (2008) argued that these general conceptions linked to a strategy can be challenged by alternative conceptions, and different discourses can coexist at the same time. Actually, as there can be different strategic discourses in an organisation at the same time, there can be various discourses for employees to give and make sense of a strategy, and different roles that organisational members are expected to take in strategy work due to coexisting discourses.

Starting with impeding strategic discourses, Mantere and Vaara (2008) observed three types of strategy discourses that impede strategy participation. They named them as mystification, disciplining and technologization. In a similar vein, Laine and Vaara (2007) argued that top management can attempt to gain control in an organisation as they mobilize a specific kind of discourse, but in the other hand, middle managers can as well use discourses to resist a top management control. According to Mantere and Vaara (2008), mystification can be described as order of things or with words such as grand visions, subjugation and resistance. Disciplining is linked to discipline and punishment, and a strategy can be described as schoolwork. Technologization is associated with a performance measurement. As follows the discourses constraining participation are presented more in detail, beginning with mystification, which is followed by the descriptions of disciplining and technologization.

Mystification

Mystification reproduces an image of a top management-driven strategy argued Mantere and Vaara (2008). Mystification is linked to strategy work, where actual planning is conducted in small groups, and often in secrecy. The words ‘vision’ and ‘mission’ are considered as the cornerstones of a strategy, which is defined by top management, and employees are not expected to question a definition. With mystification discourse, top management can attempt to strengthen their power position in the organisation, as they are in charge of a strategy and their duty is to convince others to follow a strategy that implies top-down communication with no opportunity to question the views of top management. The power perspective may lead to grandiose strategy, which can be nevertheless “empty of real content” according to Mantere and Vaara (2008, 348).

However, mystification impedes participation in other ways as well. Mantere and Vaara (2008) argued that mystification can diminish the critical reflection of a strategy, which results in accepting a situation as normal. Such situations involved sense of not being adequately informed or qualified to be engaged in strategy work. In addition, a resistance from middle managers and operating personnel in the form of cynical attitude towards a

strategy limited participation as well. Such resistance undermines the legitimacy of top management control, but also questions the meaning of a traditional strategy work. With cynicism personnel was able to distance themselves from strategy work, which also creates nonparticipation in an organisation.

Disciplining

Disciplining is reflected through three distinguishing features: hierarchical language, clear management authority and internalization (Mantere and Vaara, 2008). Hierarchical language is often used in organisations that have disciplining discourse. Military discourse and educational language emerge in organisations, and words such as ‘winning battles’ or ‘making field decisions’ are used. The command structure of a disciplining discourse distributes power directly to top management, who are seen responsible of making critical decisions for an organisation. Consequently, other organizational members are seen as subordinates, and the role of a subordinate is so deeply accepted that most middle managers and operating personnel have internalized a disciplining discourse. Similar to mystification, some organisational members expressed cynical attitude towards disciplining discourse and practise that decrease participation as well.

Technologization

As one of the discourses impeding participation, technologization is linked to system driven strategy process, and interestingly, it is linked to the balanced scorecard. Mantere and Vaara (2008, 350) argued that technologization limits “participation by imposing a technological system to govern the activities of individuals”. Typically, organisational members are assigned specific, limited roles in a strategy process. Constraints lead organisational members to feel as objects, not as decision makers. In contrast to other members, top management admire specific technologies and act as spokespersons for a special technology. Indeed, top management are able to select a system or an approach and to define a starting point. According to Mantere and Vaara (2008), technologization discourse facilitates management control by turning strategy tools into a control device. To illustrate the constraining effects of

technologization on participation, lower-level employees felt that their freedom had decreased after the implementation of a specific technology, which also Vaivio (2004) observed. The implementation of non-financial measures was felt as provocative as they decreased freedom of employees.

According to Mantere and Vaara (2008), they observed also three strategy discourses, which promote participation. They named these discourses as self-actualization, dialogization and concretization. Self-actualization enables collective mapping in strategy work, and dialogization integrates top-down and bottom-up approaches. Concretization sees strategy as a tool in an organisation.

Self-actualization

To promote participation, Mantere and Vaara (2008) argued that self-actualization concentrates an attention on the ability of people as individuals to structure and define the objectives for themselves in strategy work. For this reason, self-actualization facilitates collective mapping and enhances the critical reflection of a strategy. People begin to search for a deeper meaning in organisational activities, and a strategy can be found o through reflecting the identity of an organisation and an employee's role in it. In contrast to discourses impeding participation, strategy work was seen open to organisational members, and the process of discovering objects together was seen more important than final definitions. However, to be an active participant in strategy work, organisational members had to adjust to the role of a critical seeker (Mantere and Vaara, 2008).

Dialogization

According to Mantere and Vaara (2008), dialogization enables participation through the integration of top-down and bottom-up approaches. Dialogization reflects the idea of an organized social dialogue, as it pays attention to the roles and rights of various groups, who participate in decision making and negotiation. The integration of top-down and bottom-up

approaches found to be beneficial especially to contemporary organisations (Westley, 1990; Barry and Elmes, 1997; Floyd and Wooldridge, 2000). Participation was promoted pragmatically, by allowing participation and different views. Although the task of top management to outline strategic objectives was not challenged, neither was the right of organisational members to participate in strategy work questioned. Indeed, a right to participate was often required in effective collective decision making. Nevertheless, in many cases dialogization was realized to be more of specific spokesmen's talk to promote participation than reality.

Concretization

Mantere and Vaara (2008, 352) pointed out that concretization is third discourse, which encourages participation by providing "social grounding upon which individuals are able to find meaningful strategic roles". Similar to dialogization, concretization is a pragmatic tool to increase participation, but it seeks clear processes and practises in and through strategizing to ensure meaningful action. In addition, concretization can be used in clarifying ambiguous practices that often constrain participation and therefore, it can be considered to be as the opposite of a mystification discourse. A concretization discourse is linked to an approach that depicts a strategy as a continuous process, where rules and procedures are updated constantly. Referring to Mantere and Vaara (2008), concretization can be seen as a radical discourse compared to traditional ones as it disregards a grand strategy and encourages organisational members to use a strategy in their daily work. Furthermore, persons involved in key activities become inherently strategists in the area they are responsible of. In fact, also Jarzabkowski (2005) and Chia and Holt (2006) reported similar findings in their studies. They pointed out the existence of collective and distributed participation in strategy work, which diverge fundamentally from traditional strategy research.

Discourse	Strategy process	Examples	Effect on participation
Mystification	Driven by visions and missions. Strategy is not to be questioned or criticized.	Top managers are given the role to define a strategy, which is not questioned.	Top managers define strategy, and other members can participate in the implementation of a strategy.
Disciplining	Linked to organisational discipline and command structure, driven by top management.	Top managers are key strategists and others follow guidelines. Disobedience is punished.	Legitimized and natural key role in strategizing for top management, others can participate in ways defined by superiors.
Technologization	Driven by a specific system that provides rules to be followed.	Specific people, who have the expert power, can define systems that others follow.	Legitimizes the use of system and limits ability to bring new perspectives or issues.
Self-actualization	Finding a meaning in organisational activities	Everybody can participate in strategizing.	Legitimized group- and individual-level strategizing.
Dialogization	Involves top-down and bottom-up processes i.e. ideally constructive dialogue between different groups.	Key role of top management is not questioned, but other interested can participate in strategy process.	Top management has a special status, but also other members have voice in a strategy process.
Concretization	Requires concrete and transparent rules and practices as it is the natural part of decision making.	Joint rules allow all actors to participate, but still top management are key strategists.	Clear-cut and transparent rules help to demystify strategizing and legitimize wide participation.

Table 1. The summary of strategic discourses (adapted from Mantere and Vaara, 2008, 354)

Table 1 summarizes the key features of each strategic discourse, practical examples and their effects on participation. Mantere and Vaara (2008) stated that these discourses can produce fundamentally different attitudes toward strategy participation as discourses tend to legitimate particular modes of participation and delegitimize others. In particular, the widespread use of discourses can produce concrete participatory and non-participatory practises that result to the taken-for-granted assumptions of a strategy, which in turn affect a way how organisational members think or act when it comes to a strategy. Mantere and Vaara (2008) observed that discourses impeding participation typically form a basic strategic discourse that is difficult to

change, and discourses promoting participation are more often used intentionally to resist traditional strategic discourses.

Discourses impeding and promoting participation are used for specific purposes and situations according to Mantere and Vaara (2008). Mystification, disciplining and technologization are often means that top management use in order to establish discipline and commitment to their plans in an organisation, and therefore a strategy process is often driven by top management. A danger is either in creating a false belief of top management omnipotence or in excluding middle managers and other employees from strategy work, especially in situations where they could have a great deal to offer. A special feature is linked to discourses impeding participation: other organisational members do not see problems in a top-down approach, as they are used to it and happy with a current strategy process. A disadvantage is that all insights are not capitalized in strategic planning and it discourages active strategizing. To counterbalance discourses impeding participation, self-actualization, dialogization, and concretization promote active engagement to strategy work. Mantere and Vaara (2008) emphasized that changing a strategic discourse is not easy, but with promoting discourses organisations can resist traditional discourses. In order to change a strategic discourse, a way how a strategy is thought and talked has to be changed as well as practises that are used as they legitimate discourses. Since discourses are constructed in a social interaction, concepts, metaphors, and jokes that are used have an impact on strategic discourses. Practises play an important role in how discourses are legitimized in organisations as well. Ways in which information is spread, meetings are organised, technologies are used or control is exercised create practises. Practices in use and a way how organisational members talk of a strategy have a significant role in modifying strategic discourses in organisations and therefore by paying attention to a way how strategy is thought and talked and carefully changing them, a strategic discourse can be modified as well.

If a technologization discourse is compared to a picture that Kaplan and Norton (1996a, 1996b, 2001a, 2001b, 2001c) presented of a balanced scorecard, it can be said that the findings of Mantere and Vaara (2008) are not supporting the general idea of a balanced

scorecard. Indeed, it seems to provide an exaggerated picture of the original idea of a balanced scorecard by excluding all participative features. Therefore, the issue of participation has to be re-examined in order to shed more light from participative perspective. In chapter 4.5 strategy participation, strategic discourses and in particular, the effects of a balanced scorecard on participation are investigated in practise.

3 METHODOLOGY

In this chapter, methodological underpinnings and choices made in the empirical research are explicated and justified. Firstly, the chosen research method is presented and this section provides explanation why the specific method was chosen. Subsequently, issues related to the generalizability, validity and reliability of the study are discussed and their relation to the chosen method is explained. Lastly, a description is provided how the study was carried out, including preparation and making interviews, observations, document analysis and the theoretical interpretation process of the empirical data.

3.1 Research method

The research method of this study can be described as being an explanatory case study. According to Scapens (1990), an explanatory case study attempts to explain reasons for specific accounting practices, and theory is used in order to understand and explain accounting practices, not to produce generalizations. If theory does not support findings, it may be necessary to modify theory. Moreover, this study can be categorized also as a theory refinement study (Keating, 1995) that starts with a clear theoretical focus and objective. Vaivio (2008) described a theory refinement study as if a researcher wears theoretical goggles, which are used in making observations. However, he pointed out that the purpose is not to force empirical observations into a predetermined framework, but to develop and specify theory further in a process, where some theoretical elements are corroborated and others are rebuilt. In particular, the aim of this study is to bring a theoretical starting point under the loop of an empirical examination and a critical evaluation (Keating, 1995) as the role of a balanced scorecard in strategy implementation is described in detail and scrutinized against previous findings and empirical data. Vaivio (2008) agreed in such study, “the concepts and causal connections within the theoretical framework are partially revised to improve theory’s application within a specific organizational, social, or institutional context.”

Scapens (1990) and Vaivio (2008) highlighted the importance to understand that management accounting is the part of a social context and therefore, it is necessary to look at the relationship of day-to-day social action and set them in a wider social context. Moreover, Scapens (1990) pointed out that researchers of management accounting are seeking rules, which structure social behaviour. Accounting practises are socially constructed and structure behaviour, which means actors themselves are able change rules. As accounting practises are socially constructed, they can be also changed when a social context changes. In addition, Vaivio (2008) underpinned Scapens' statement as he said that management accounting instruments, such as a balanced scorecard, are not stable and fixed, but more often complex, temporary and fragile. He emphasized as well that management accounting is an active, constitutive phenomenon and does not reflect any given reality. Management accounting studies reflect a particular situation in time and space, i.e. are highly contingent and situation specific. To respond to a challenge set by a specific social context, Scapens (1990) argued that explanatory theories facilitate the understanding of social structures. Therefore, with an explanatory study method it is possible to answer the question of understanding a social context that shapes a current practice.

Qualitative management account research has unique features that derive from the purpose of studying management accounting as a practise (Scapens, 1990). As mentioned above, Ahrens and Chapman (2006) agreed that qualitative researchers acknowledge that the field itself is not only part of the empirical world, but it is shaped by the theoretical interests of a researcher. In practise, qualitative research involves ongoing reflection on data and positioning it against different theories to which a data can contribute, and thus developing theory further. According to Vaivio (2008), qualitative research is able to expose the imperfect practises of management accounting that are used with various ways to construct the reality. Theories developed by qualitative management accounting research emerge in local context and are also limited by this context in space and time, but their purpose is not create general theory in a statistical sense (Vaivio, 2008). Rather, they provide evidence that management accounting is dynamic and an organisationally embedded phenomenon. In addition, Vaivio (2008) notes qualitative research has been able to critically analyse new management accounting technologies and shed light on idealized conditions that are required

to materialize the benefits linked to a specific management accounting technique. Moreover, Ahrens and Dent (1998) adhered that rich descriptions provided by qualitative management accounting research originate most likely from tensions, which develop around the use of management accounting in organisations and interpretive differences that give rise to tensions by definition.

3.2 Generalizability, validity and reliability of the study

According to Scapens (1990) and Vaivio (2008), explanatory case studies aim at a theoretical generalization, and not to create generalizations in a statistical sense. A theoretical generalization pursues in generating theories, which are capable of explaining observations made in the field. The potential of a theoretical generalization lies in the logic of a replication i.e. replicating a study in similar and different conditions. The objective of a theoretical generalization is to expand the understanding of empirical observations by developing theories that can explain observations in their actual context. In addition, Vaivio (2008) also highlighted that qualitative management accounting research pursues to make theoretical generalizations. According to Vaivio (2008), theories can be brought into contact with the empirical reality, and thus exposing the strengths and weaknesses of a theory and modify them if needed.

The traditional definitions of validity and reliability are explained for example by McKinnon (1988). Citing her, validity is concerned with the question of whether a researcher is studying a phenomenon that is purported to be studying, and reliability is concerned with the question of whether a researcher is obtaining data on which can be relied. Nevertheless, McKinnon (1988) mentioned four specific threats that danger the validity and reliability of a field study, namely: observer-caused threats, observer bias, data access limitations, and the complexities and limitations of the human mind. She also offered different strategies and tactics how to counter the threats for validity and reliability in field research. Ahrens and Chapman (2006) approached the issues of validity and reliability from a different perspective. They made

several interesting notations concerning validity and reliability in qualitative management accounting research, but the most critical notation concerned replacing the definitions of validity and reliability with plausibility. An argument was made that reliability in a traditional sense is inappropriate as qualitative research is not about the use of different research instruments, but a mixture of structured and unstructured data. As well the definition of validity was questioned and discredited as qualitative management accounting research recognizes the importance of a social context in management accounting, and the reality that actors are able to affect and change environment and therefore also a social context. Ahrens and Chapman (2006) argued that the validity of whether a pursued phenomenon is studied is unsuitable for qualitative management accounting research, because a phenomenon can change and actors themselves are able to change a phenomenon that is studied.

Ahrens and Chapman (2006) proposed that the definition of validity and reliability in qualitative management accounting research should be replaced with the definition of plausibility. As qualitative management accounting research is interpretive by nature, a good field study requires a problem to be addressed, and theory that can frame a problem so that a fieldwork can contribute to an ongoing theoretical debate. The definition of plausibility come along as the researchers of management accounting conduct an iterative research process, where they seek to generate a plausible fit between problem, theory and data. According to Ahrens and Chapman (2006), an iterative process is subject to three sources of discipline. First, the reader's knowledge of the existing literature of a subject imposes a disciplinary context, which evaluates the plausibility of relationships developed from a fieldwork. Second, an assumption is made that researchers do not make up a story, but trust is shown to a unique qualitative study. Third, readers judge finally whether a qualitative study makes theoretical contribution, and therefore theory is not rebuilt or modified through implausible qualitative studies.

3.3 Realization of the study

After discussing the foundations of qualitative management accounting research, the purpose of this section is to describe how empirical work in this study was realized. The process is depicted with sufficient accuracy so that the validity, reliability and plausibility of the study can be evaluated (McKinnon, 1988; Ahrens and Chapman, 2006).

A single case study method was selected as the aim was to gather a detailed account of organisational processes, interest and competing sectional interests, which can provide a plausible, contextually rich explanation of the studied phenomenon that has theoretical value (Vaivio, 2008). The process of finding a suitable case company for the study started with a prerequisite that a balanced scorecard has to be in active use in an organisation so that it is likely to replicate or extend an emergent theory (Eisenhardt, 1989). A second prerequisite was related to the size of an organisation, as according to Speckbacher et al. (2003) accounting information and control processes incline to become more sophisticated when the size of an organisation increases. Therefore, efforts were concentrated on medium and large size organisations, where a balanced scorecard was in use. Ten different organisations were contacted during spring 2010 and after negotiations with a well-known Finnish organisation, which is a part of a larger group, became interested and was willing to collaborate. The study may suffer from access limitations as the researcher entered the organisation as an outside researcher. Also, there was no possibility for participant observation and only limited time was spent on the field during the interviews. However, as the researcher came from outside to the organisation, it enabled entering the organisation open-mindedly and prevented biased preconceptions that an inside researcher might have possessed.

The theoretical background of the study was used to guide the empirical work. However, attention was paid that the structured theoretical orientation would not restrict empirical data (Vaivio, 2008). Instead, the empirical work remained sensitive for an emergent insight from the field (Dent 1991). The primary source of empirical data was gathered in the interviews,

but the inside and outside material was used in the study as well. Additional material created a context for the organisation and it helped in placing interview quotes in a correct context and to enhance the validity of the study. This material included for example annual report, web site of the organisation, and other internal material.

Ten semi-structured interviews were conducted in June 2010 and several visits to field were made during the interviews. The interviewees included people from different organisational levels: two top managers (called TMG in quotes), five middle managers (MMG) and three operative level managers (OMG) with different responsibility areas. A full list of the interviewees as well as the duration and date of each interview can be found in Appendix 1. In addition to the semi-structured interviews, two informal meetings with the country manager were organised before the data collection phase in order to improve the understanding of the context in the case company. It has to take into consideration that three respondents had finished a management education, and there they had discussed and made sense of a strategy so that they understood how a strategy is affecting their work.

The interview outline were sent beforehand to the respondents and asked to contact if there were questions about the outline. The interview outline can be found in Appendix 2. The interviews took place in the country office and stores, depending on the place where the interviewees were working, to make the interviews as natural events as possible (McKinnon, 1988). Before the actual interview questions took place the interviewees were asked to explain their status in the organisation and at the same time a casual conversation took place in order to keep a situation relaxed and informal. This diminished observer-caused threats to validity and reliability (McKinnon, 1988). In addition, it was guaranteed that the respondents will remain anonymous before every interview in order to gain more trust among the respondents (Ahrens and Dent, 1998). Only one of the interviewees asked about the confidentiality of information, which could indicate that the respondents perceived circumstances confidential and non-threatening. All ten interviews were tape-recorded and on an average an interview lasted 47 minutes. Instead of keeping strictly to pre-formulated questions, questions were also probed to “understand the full implications of what was said”

(McKinnon, 1988, 52) and to see whether there were any “loose ends” (Ahrens and Dent, 1998, 25). The interview outline was further developed during the interviews, as more understanding of the relevant issues was gained, and to be more able to refine the existing theory (Eisenhardt, 1989). The interviews were conducted in Finnish, and afterwards they were transcribed word by word and then translated.

The empirical data and findings were interpreted in an iterative process, which pursues to create a plausible explanation of observed outcomes (Ahrens and Dent, 1998). An iterative process has a significant role as it is a mean to capture multiple and shifting meanings, understand how different perspectives relate to each other and fit together. Additionally, a pattern making started in the study as soon as the field work begun. The tactic that was used in pattern making was to select categories first, and then look for similarities and differences within-group and across groups. An iterative process was repeated several times, and gradually some pieces of empirical evidence proved to be more important and credible than others, and created a plausible explanation for the observations (Vaivio, 2008).

4 FINDINGS FROM THE CASE STUDY

This chapter presents empirical evidence gathered from the field. The case company and key observations are presented, as well as other illustrative pieces of the data. The data is presented and described with as much accuracy as possible, in order to be able to analyze and interpret empirical material later in this study. To better understand the context and significance of the findings, the case company and fashion industry market are described first. Second, the implementation process of a strategy and strategy communication is examined and analyzed in order to create a general picture of the case company and to understand how the strategy is managed in the organisation. After the implementation process, a focus is turned on the balanced scorecard of the case company. The measures and the framework of the balanced scorecard are also described. Fourth, the realization of the strategic management system is examined; in particular the way how the balanced scorecard is used in managing the strategy. Lastly, a light is shed on the participation perspective of the strategy process and section 4.5 describes how the managers are participating in the strategy process.

4.1 Description of the case company

The case research of this study was carried out in a Finnish fashion industry company, which operates in retail store business. The case company is one of the biggest fashion retail chains in Finland, and it has a solid position in the market. In addition to a solid market position, the company has stores around Finland. The case company belongs to an international group, which has over 4,000 employees in over 400 stores, and its net sales were in 2009 over 600 million euro. Historically, the group is established in the 20th century and it has faced many considerable changes during its long history, including significant strategic changes in order to develop operations. The latest change was carried out some years ago after the current CEO took over the company. The aim of the latest strategic change was to upgrade fashion level, and the change influenced all operations. The most radical change was conducted in stores, although the other functions had to be adapted to the change as well. The study is

concentrated to business in Finland, where the operations are focused on sales activities, but all major functions are presented in the country organisation. The case company is called Casex Ltd. in the study.

The balanced scorecard of Casex Ltd. is based on a group-level balanced scorecard, and actually it covers only a part of the strategic areas that the group has. The case organisation has extracted strategic areas on which they can influence, and measures that are used result from chosen strategic areas. The reporting system in Casex Ltd enables to report on a daily basis, and everybody in the organisation can see daily reports. Store managers and personnel can see the performance of their store, region managers can see regional performance and in the country office employees can see the performance of the country. The daily report does not concern profit, but measures are linked to sales and managers are using the report for analysing performance and guiding everyday action. Especially in store managers use the daily report for planning operations and guiding action.

Fashion industry, where the case company operates, has its specific features. Constantly shifting fashion trends are reflected in a short life-cycle of products and the possible surplus of certain stock, price cuts and lost purchase opportunities. A dependence to fashion trends makes the timely introduction of new and attractive products extremely important, and there is a risk for fashion industry companies that the part of collections are not well received by customers. As customers' perceptions of fashion cannot be predicted with certainty, the products of fashion retail companies must attract a broad range of customers. Additionally, a fashion industry has to face seasonality and vulnerability caused by extraordinary changes in weather that can have an impact on sales.

In Finland, competition in fashion industry is similar to other Western countries. Competition is intense in product range and market, and main competitors besides other fashion chains are department stores, mail order companies and internet shopping. Fashion market has multiple potential threads. First, in addition to competition in products and market, companies compete

for good store locations and favourable rental terms. Second, in the market there are many Nordic and international competitors, who can invest in fashion industry in terms of marketing and design of products and stores to gain a bigger market share. Third, due to intense competition market encounters price pressure that may decrease the profitability of fashion industry companies. Also, the latest financial crisis had a dampening effect on consumption. Other uncontrollable risks that fashion industry companies have to face are for example general business conditions, unemployment levels and shifts in consumer patterns from durables to other goods and services.

4.2 Strategy implementation

The empirical part of the study begins with the description of the strategy process and communication in order to gain a better understanding of the organisation. The phases of the strategy process are described first, especially the phases that are linked to the country organisation. After the strategy process is described, the strategy communication in the organisation are presented and examined.

4.2.1 Strategy process – top-down and bottom-up processes

To begin with the strategy, the strategic change created an opportunity for the organisation to improve strategic processes and to simplify them. In the same time, they introduced a new strategy to the organisation as well. The new strategy process includes elements of top-down and bottom-up processes, which enables two-way communication between top management and country management.

The strategy process consists of six phases, beginning from management group, who plan strategic goals and resulting in the introduction of the strategy to store personnel. First, the group-level management group creates a five-year strategic plan for the organisation, which

includes also strategic goals. Second, the country-specific goals are introduced to country managers, who will further introduce them to other managers of the country. Third, a country organisation holds a strategy day, where they analyze the country strategy and create an action plan for next year. Fourth, the action plan of a country is returned to the management group, to whom it is presented for an approval. Fifth, the approved country strategy is presented to the whole country organisation in the kick off meeting and lastly, the store managers will introduce the new strategy to the store personnel. It seems that the strategy process begins with a top-down process, as the management group create the strategic plan and communicate the strategy to country managers with country-specific elements. A bottom-up process starts in the country organisation with a strategy day, and it continues with the approval process of the action plan. After the action plan has been approved, the strategy process continues as a straightforward top-down process until also store personnel are aware of the strategy. The strategy process seems to be a clear process as the respondents shared the view. However, it became clear that the case company has been developing and streamlining the strategy process during recent years.

Well, it's a top-down process, first it's on a group level, and then it's cascaded to a country level and then further to a region and a store level. It (strategy process) has been clarified significantly over the years, and it feels like it's been more sharpened up and focused. It used to be more dispersed and ambiguous. The guidelines came from top management, but of course we go them through on a country level, these are what suits to all and then the message went back to top management. In a way, it came from both directions. MMG2

At least I have a feeling it is clearer now and more focused than it used to be; earlier it was not that focused and more ambiguous than it is nowadays. MMG2

Next, the part of the strategy process that concern the country organisation, Casex Ltd., is presented more in detail. Figure 4 below shows how the strategy process proceeds in group- and country-level. First phase that is described more accurately next is the strategy day.

STRATEGY PROCESS IN CASEX LTD.:

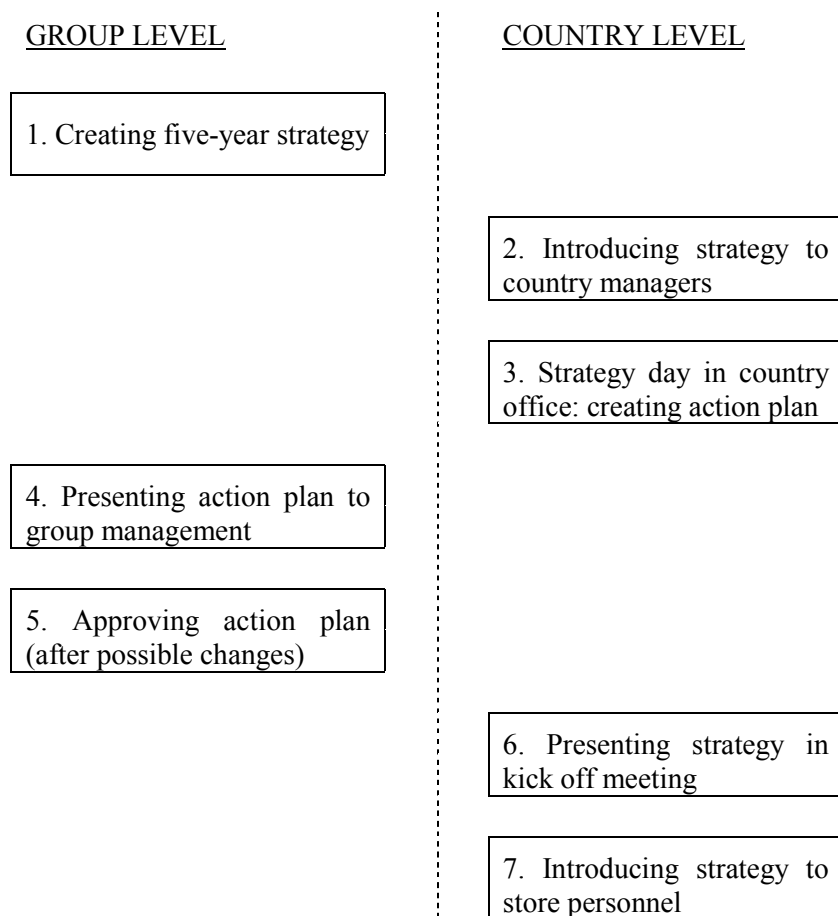


Figure 4. The strategy process in Casex Ltd.

The strategy day is held once a year in Casex Ltd., to which all top and middle managers are attending. The purpose of the strategy day is to create an action plan and objectives for next year, to analyze the results from last year and to clarify a new strategy to managers.

We have a strategy day once a year, in which in addition to office people also region managers participate. Country manager leads the strategy day, and there we clarify the focus areas of next year from the broader strategy. Keeping those in mind we should be able to implement the strategy to the field. MMG1

In the fall we were able to weight, adapt and to do kind of an action plan for the office and for Casex Ltd. Mostly what we did there was that we knew they want from us, and then we did an action plan, which went to more operative issues. This is how I experienced it. First, to which issues we concentrate in our organisation or the most important issues in Finland. That's how we checked strategic goals: where we are and in which area we have to improve the most and which are the most important issues. Then we have to think of the means how we are going to improve our operations. MMG3

The participants of the strategy day create annual objectives first in teams, which are basically the same as the functions of the country, e.g. finance, marketing and sales. Then the objectives are presented and examined together to reach a consensus. A middle manager described target setting in the strategy day as follows:

We went through the strategic goals, and then we divided into separate groups according to who does what. Then we started to present our views and discussed whether these are what we want and can we reach the target with these. MMG5

After the action plan has been made, the country manager presents the action plan to the group management. The top managers of the group approve the action plan if it does not need revising. The strategy will be shaped into a finished form after the action plans of the countries are approved, and then the strategy can be implemented into the country organisations. A top manager of Casex Ltd. depicted the process of approving the action plan:

I gather all information into my backpack and leave to the group office, and there we go it through together on an upper level, how it looks. There I can give my comments from my organisation, how we see it and how we think of it, and where are we going to. We'll go through it in the country and in the group office. It comes from our vision... Of course the strategy has to be supported by, no word mongering, but always by numbers, clear numerical targets set: where we should be in five years, those are always attached. After I have visited the group office and we have discussed, it may be so that in some department they have to do some deeper analysis before the strategy is final, but it starts from that. When it's updated, then it's cascaded back to the organisation and we can see that ok, this is the direction we are going, we are in a right direction, no big changes needed and these are our numerical targets. Or then it could be that we are not in a right direction, and there we're going to confront problems, let's change business fifteen degrees to other direction. Then it will start to roll down again. They give us the borders of a sandbox for planning next year so that everybody goes to the same direction in the end. TMG1

When the process of cascading the approved strategy back to countries begins, a kick off meeting is organised to inform the store managers of the new strategy and objectives. In the kick off meeting the focus is on the strategy of next year, although the five-year strategy is also briefly presented. After the kick off meeting a region managers continue strategy work with store managers, and finally store managers have a responsibility to inform their store personnel of the new strategy. A top manager shed light on how the kick off meeting is carried out:

And then we have a road show, a day for store managers. Well, I have gone there to present next year, it's fall or the end of fall when I meet them. Or then it is the beginning of the year. I tell them that these are our goals and this is our strategy. Usually, I go through with them the five year strategy, or at least I show it to them, but we don't focus on that for such a long time. With them we go through a year, maximum two years as the work of store managers is concrete, and they have a vivid memory of the work in the near future. Usually, it is that way that I go there and tell it to them, and after that region managers have discussions with store managers. For example, when they have development discussions they are always checked and went through and see whether they have a shared understanding of what should be done and where they are going to. TMG1

As a result, the new strategy has to be introduced also to store personnel. A middle manager illustrated challenges how to introduce the strategy in an understandable way to sales persons and why it is important for them to make sense of the strategy as well:

Of course the guidelines are created by the top management and the country manager is our contact here and these strategy days have been good, interesting. But just that the whole personnel know, and first of all, remember in their everyday work where we are really aiming at. I think that it works pretty well through the vision, because the vision is understandable. I talk about sales persons, as in my opinion everybody has to know in the long run where are we going to, then it is easier (to explain) work, smaller goals and challenges... and we want that the vision, which is promised to customers, can be seen in stores and then we are at the grass roots level. MMG1

A middle manager acknowledged that although the strategy process has improved, they have to make more effort on strategy implementation on a grass roots level.

And as I said also strategy implementation on grass roots level is still going on. MMG1

Managers working on the operational level did not agree with the view of a bottom-up process. From their perspective, the strategy is only a top-down process with three phases and bottom-up communication signifies feedback that they are assumed to give if there is something is not working. In the first phase, the strategy is created in the country office, where top and middle managers make the action plan. Second, the strategy and the action plan for next year are presented in a kick off meeting to store managers and store designers. In a kick off meeting they go through the new strategy and the action plan, and reveal new targets. Third, store managers introduce the new strategy to store personnel and ensure the strategy is implemented in stores. Compared to figure 4, figure 5 below shows that from an operative level the strategy process consists of three phases that are implemented in a country level.

STRATEGY PROCESS FROM OPERATIVE LEVEL PERSPECTIVE:

COUNTRY LEVEL

1. Country office creates action plan.

2. Presenting strategy and action plan in kick off meeting.

3. Introducing strategy to store personnel and implementing strategy

Figure 5. The strategy process from operational level perspective.

Managers from the operational level described the strategy process from their perspective, and from their point of view the strategy process is clearly a top-down process, which figure 5 shows as well.

I think it that way that decisions are made on the group level, and then they come to the country level and finally they are cascaded down to me. I'm responsible of managing the store according to the strategy and implement the strategy in the store. And the personnel has to be involved also, and the store designers have an important role to implement the strategy in their daily work OMG1

Well, the strategy process comes from the office, there they make up targets that we attempt to reach, there they plan more. All budgeting and how we implement it, all that comes from the office. Here on a store level, here we do practical work according to their guidance. OMG2

The bright side of the strategy process on operational level is that recently operating level managers have acquired more information about the strategy than they used to have, and therefore they are more aware of the strategic issues than they used to be.

We go it through, we hear what our new strategy is, and actually now... we have received more information of the strategy. Our country manager is now more involved in creating the strategy, which has been reflected directly to the lower levels in the organisation. OMG3

The last phase, leading strategy information to store personnel, seemed to be a challenge for managers. In fact, there were a couple of challenges related to information management: firstly, information management: how to lead information to store personnel and secondly, how to arouse sales persons' interest to receive information and understand what it means to them.

How we could lead information to the store, usually information management is the biggest challenge in a large store. The management of things is really hard, it feels like we should have some tools to do it, but it is also that how interested the other party is to receive information. OMG3

4.2.2 Communicating the strategy throughout the organisation

The successful implementation of the strategy in Casex Ltd. is partly due to diverse and continual strategy communication. The strategy is communicated in many ways and using different channels and that could be one reason why the interviewees had different perceptions of how the is communicated in the organisation. There were opposite answers depending on the managers' expertise area, but most of the managers agreed that the strategy is communicated through numbers and discussion.

It (strategy) is communicated with discussions and numbers, and then we go it through what they really mean and that has been repeated a lot, to get the personnel truly understand what they mean. OMG2

I have always divided it into numbers. Otherwise it will be word mongering that doesn't matter. It is not correct to say that it has no meaning, but it is more concrete when numbers are attached. Always in the end numbers are involved. In business a success is reflected through numbers. TMG1

And here on this level, here we implement it to the organisation during the budgeting process and during monthly meetings, and more concretely in region management board meetings. There we also go through the result on a high level, what we have done and where are we going to, and they have responsibility to bring out whether there are any problematic issues so that can help them. In my opinion the most important tool for strategy communication is the budgeting process. There we go through the whole thing once a year and that is drained afterwards through the whole organisation. TMG2

In addition to numbers, the organisation has multiple different channels how they communicate the strategy. For communicating the strategy to operational level managers, the annual kick off meeting is an important event, which is presented in previous subchapter 4.2.1. There is presented the action plan for next year and key points regarding the strategy.

The country manager who leads the event collects key points to one paper, including numerical targets and other key issues, to which managers can return to when they introduce the strategy to store personnel. The strategy is also communicated through intranet and in two internal publications, in a group -level magazine and in a country-level leaflet. In stores a bulletin board, intranet and discussions are the most significant ways to communicate the strategy. Although many communicating channels are used, in practise the word 'strategy' in the operational level is not used as much as values, vision or business idea.

And then I have wrote that we don't actually discuss, but we work according to the strategy, and these visions and business idea and values, of those we discuss much more than the strategy directly. OMG1

However, the biggest challenges in strategy implementation concern communication. For example, different organisational levels create a challenge for strategy communication. Top, middle and operational managers understand the strategy in a different way, not to speak of store personnel. Strategy communication should be adapted to each level, but as a middle managers illustrated, it has to be developed further.

That has been my mission to find means how to communicate (strategy), because it has to be communicated slightly in a different way to store managers than to store personnel. As they work differently, how they can implement strategy in their work, it is different depending whether you are a sales person or a store manager. Because a store manager has to understand the strategy in order to be able to invest resources in right places, and store personnel has in my mind right to know why the work is done in this specific way. MMG1

Actually, it is more like fine-tuning; we should talk more about issues. We remember it here in the office. Although it is self-evident to us, but we should really get all of our employees to understand (strategy), because they have to also know and understand it. I believe that the motivation improves when they understand why we do it. Otherwise our advices and guidelines and others feel funny sometimes, if you don't understand what our goal there is. When we do something here, they should understand what the fundamental reason is for that. MMG5

We are going on an easier level with the numbers. They (store personnel) are interested of how many pieces of sweaters have been sold, which is actually really important. OMG3

The above quotes collect up interestingly the purpose of strategy communication. The strategy has to be communicated to employees so that they are able to understand the strategy. If they understand the strategy correctly, they can focus on right issues and to execute the strategy in their work.

According to interviewees, there are places for an improvement in strategy communication that the organisation could focus on. One challenge for the organisation is to clarify communication, which is linked to adapting communication according to an organisational level. The operational level managers yearned clearer messages when it comes to strategic issues, so they would not need to rethink issues before they can inform store personnel. In a similar vein, they also insisted more accurate timing information from the country office that would help them to improve the planning of the operations in a store.

4.3 Balanced scorecard in Casex Ltd.

After illustrating the strategy process and communication in the organisation, the focus is now turned on the balanced scorecard in Casex Ltd. This section is concentrated on describing and examining how the theoretical framework of a balanced scorecard is modified to better correspond the reality of the organisation. The measurement system that is used in the case company is a part of the balanced scorecard of the group, and therefore does not have all perspectives that the group-level balanced scorecard has. In addition, the framework and the role of the measures are depicted and analyzed in this section.

As top management set group-level strategic targets and a five-year strategy, they also update the situation of the group on a strategy map. This strategy map consists of strategic areas that can be separated to the functions of the organisations. The aim of strategic areas is twofold: to give directions how to differentiate from competitors, and which means should be used in

reaching targets. The top management estimate also the current situation of the group and sets targets for next year. In the strategic areas there is a traffic light system in use: depending on the situation, an area in question can be in red, yellow or green light, which demonstrates performance in the specific strategic area. Next to strategic areas, there are critical success factors that are directly linked to strategic areas, also rated with the different colours of traffic lights. Measures result from critical success factors and these measures form the balanced scorecard of Casex Ltd. However, as the strategy map is made for the group, countries have to collect suitable strategic aims and measures to which they can influence on. Therefore, every function and in this case, Casex Ltd., have specific measures in their balanced scorecard. Only on a group-level the balanced scorecard has all perspectives and measures, but the country-level balanced scorecard does not form a complete balanced scorecard.

The balanced scorecard of Casex Ltd. has twelve measures in total, which are called key performance measures. Five out of twelve measures are completely non-financial and three are completely financial measures, and the rest is a mixture of financial and non-financial measures. Nine measures that are at least partly non-financial can be divided into the key areas of the organisation. None of the interviewees mentioned all the measures, which reflects how managers are using measures. Top and middle managers mentioned more measures that are not directly linked to everyday business operations than managers from the operational level. Indeed, operational level managers agreed on the basic business measures, which are tightly linked to business. However, one manager made an argument that in their department they do not have any measures, which would control their results.

We don't have any measures in use. Simply, we made this kind of questionnaire, which is a basis from which we can start to calculate averages. MMG5

Since the basic business measures have been in use more than 10 years, respondents had quite a similar, constant view towards the measures. Other measures have been changing over the years, depending on areas the group has wanted to focus on, but basic business measures have remained the same. For instance, within couple of years two non-financial measures have

been raised to key performance measures as they support the strategy and one measure has been dropped as managers felt that the measure has lost its strategic relevance. Although most of the measures have been in use for many years, top and middle managers felt that they can affect measures as the case organisation is open to debate by nature.

To my mind, I think Casex Ltd is very discussing organisation... here is lot of discussions, sometimes too much. But the upside is absolutely that we can discuss and our opinion can make a difference through discussions and then hoped changes can take place. TMG2

However, paying attention that only three significant business measures have changed, it could reflect that business has maintained the same fundamental character as it had before the strategic change. On the other hand, it may reflect also that employees are used to basic measures and they cannot imagine other measures to be used. Only one of the managers discussed how the measure that she felt most important for the strategy could be improved, and what she had done to improve the situation in stores.

It's an important measure, and we encourage stores, which is part of our policy, to make self-evaluations about store design. It's a measure that we could develop a lot, I've been trying to develop it myself when it comes to as practical issue as evening cleaning... In a couple of stores we have had good results so that we have divided the store into parts and then self-evaluated cleaning. If we take away basic measures like efficiency and others, this visual measure should be developed to better capture the implementation of the strategy. MMG1

According to the managers, most of the measures in use are relevant and they reflect the performance of the organisation. Most of the managers use the basic business measures every day to see how they performing and in which areas they could perform better.

When we have many of them (measures), they straddle it fairly well. It's hard to see that we could perform well on a store or chain level if these key measures wouldn't develop well. I can't believe that a store could perform well in that case. So they do tell a great deal of the situation in the store. MMG2

I think they describe quite well, because through them you can see immediately if we haven't reached sales, then the purchase measure hasn't either reached the required level. So you see immediately where we have gone wrong. And if we see pieces that have sold, you can see which department is running behind, and where we have problems. So they are good, and through them we're able to reach goals. OMG2

Interviewees' opinions on the role of the measures, especially in making the strategy, varied a lot. Most of the managers felt that the measures are really important in strategy work, but there were also opposite opinions. The managers who felt that the measures are critical element in strategy work were from all levels of the organisation, and for them the measures had a clear and important role in implementing the strategy.

So if we think on the country level, it has a critical role in a sense that the development of these key measures is fully linked and represents our working. That we are we going to a right direction. If we think do we get enough visitors to our stores? If we get enough visitors, we have made something fundamentally right. If we can convert those visitors into customers who buy something. If we can't reach the goal in that, something hasn't went as it should, but in a way we have managed to do something right as people came into our store. TMG2

They have quite a big role. We follow them closely, every morning, and then we think why this and this have not been sold, what is there, so we kind of follow sales through them and make decisions. So they are really important. OMG1

The manager who felt that the measures do not have a significant role in strategy work emphasized the visual side of the strategy. Indeed, she did not rely on the ability of a non-financial measure to interpret the design. To her, the numerical targets of the strategy were not as important as the visual targets.

Let's say that in this stage when we are thinking our stores, in my opinion they (numbers) don't have that big role in implementing the strategy. Of course, there are these specific issues that belong to our profitability and such, what you can measure with mathematics. As our strategy is measured mostly visually, I don't trust the interpretation capability of the purchase measure to evaluate the design of the store in a right way. For the reason that I just told. And it's very hard to measure how customers experience the change in our store after renovation, to that we don't have any key measures. MMG1

Throughout the organisation managers agreed they use the measures as a basis for an open discussion. In the country office the measures are used in the monthly meetings and they come up during daily discussions how they are performing. In a regional level measures are discussed during visits in stores, when a region manager visits a store. In stores measures guide daily work as a day begins with checking the result of last day and planning operations accordingly.

Yes, they are involved, actual historical numbers, and they always crop up at some point in the discussion. So we do mirror to them (key measures). And it is more based on historical numbers. MMG2

Yes, and they are discussed a lot. For example with my colleagues we discuss how much are you behind efficiency or what is your efficiency target, it's in my mind all the time and continuously thought of. OMG1

Moreover, as the measures are available on a daily basis, they are discussed in the office once a month in depth, but they are also followed every day. As the measures are discussed daily, it is possible to follow and influence on the direction they develop.

We are able to see key measures on a daily basis, result we can see monthly. They can see daily where they go with their store, they see it daily. Every morning we check every measure, where are we going. TMG1

The measures form a familiar and well-know basis for discussion for all members in the organization such as one manager described:

And it is kind of a familiar basis, to which we can easily return. It's also easy to compare, same measures, same elements, so you can go five years back to same date or week and you get a baseline what we did then and got this and this and now we do this and got this. So it's kind of basis for everything. It's also safe to be involved to a conversation when everybody recognizes these things. MMG4

However, there are also contradictions in targets and measures that increase the pressure, especially to operational level managers. The high efficiency target erodes other targets and requires compromising, and the outcome is that any party is not totally satisfied with results.

If we think that in the strategy we are looking for a store that looks good, visual appearance, tidiness, and then in the other hand we are looking for efficiency, they are largely exclusive or agonizing elements. In stores this can result in that a store designer is feeling that she doesn't get enough hours to create the visual appearance and a store manager is in agony that she can't give more hours because sales levels are not reached and the efficiency is already low. So yes, there is compromising and looking for compromises. MMG1

4.4 Managing strategy with balanced scorecard

After interviews were started, it soon became clear that the measures create a firm element that affects daily operations in the organisation. As respondents confirmed that measures are linked with various operations, it could reflect that the balanced scorecard is also used in managing the strategy. The interviews with the managers revealed that the strategy was managed largely by numbers and the measures were linked to the budget and the compensation scheme as well. The previous section presented the balance scorecard that is in use in Casex Ltd. It consequently examined the role of the measures in the organisation and the way they are used in daily work. This section illustrates how the balanced scorecard is used in managing the strategy and it examines whether there exists links between measures, strategy, organisational structure, budget and compensation.

To be able to manage strategy with measures, it is critical that measures are understandable and create a connecting thread. According to all respondents, they felt that the measures create a reasonable entity, which is possible to understand. Indeed, they agreed that all measures have impact on the other measures and they create a cause-and-effect relationship. The managers were also able to explain how measures were connected to each other.

There can't be one measure without other, or it can exist, but they go and walk hand in hand: if you can improve one, then the others improve also unavoidably. They are not disconnected, separate parts, but they are really a chain. TMG1

For example, if the purchase measure has developed well compared to last year, it tells that sales are improved. It tells also that the store looks good, it's easy to buy from there, and the routines of the store work. And through that we can mirror that the routines of the store work well, they are hourly on a reasonable level, the manager handles planning and employees do right things with right efficiency level. In my view, they are linked to each other because of this. And in the end, they lead to the bottom line aka to the result line. MMG2

To manage the strategy with the balanced scorecard, measures have to support the strategy. Relevant measures help the organisation to focus on the intended strategy, but wrong measures can mislead employees and result in unwanted outcome, where employees focus on work that does not support the strategy. In Casex Ltd. most of the measures support the intended strategy, but as one manager acknowledged, most of the measures depict only historical in numbers, not future prospects.

In my opinion they guide our strategy in Casex Ltd, so if we can perform well in the key measures, then we have also a possibility to reach the defined strategy and comply with the planned strategy. MMG2

There are things that are harder to measure. If you wait and I think can we measure with the financial measures as they look only backwards? And sometimes they may lead us to different direction, and if we think about our vision, there are some points where they contradict. For us, it's difficult to follow what customers think of us. There is marketing; well we order those studies, but those studies we could probably be followed much closer. But yes, I feel that they support our journey there and that we can make everything better and develop. MMG3

Translating measures into operational terms and work is one feature that the measures in Casex Ltd. have; at least the basic business measures have it. One non-financial measure is the most powerful when it comes to analysing a daily performance, especially performance in stores. This measure is easily translated into action, and according to the operational level managers they analyse it daily to see whether they need to do something in a store. The measure gets translated in stores as a day begins with reviewing yesterday's results. In a

morning tour that follows, they check the possible reasons for the result of a previous day from the key performance measures, and then make a plan how to improve sales in store.

Purchase measure is one which goes to store level as they have targets. They are put to think, a store manager and store personnel have to think over and give ideas how they could reach a target in their store. Or efficiency measure that is looked for, there is no options. They have to think daily operations so that they can reach the planned efficiency. It should be translated in the ideal world. I would like to see it so that they (measures) are a part of the daily operations and they guide daily work. TMG1

Well, we look at the purchase measure and then we think what is wrong, what doesn't sell, where we should improve, so they really guide us in what we do. OMG1

In addition to translating measures into operational terms, an organisational structure that supports the strategy is one of the issues that make the organisation strategy-focused and dynamic. Casex Ltd. has fine-tuned its organisational structure to better respond to the demand from the field by adapting a regional structure. They added more people to support regions such as one business controller.

So visual people are added to the regions to support operations. They have added properly couple of region people, who help stores like this controller function. They have increased resources so that stores are more aware of their key measures, receive more comments and they are followed more closely. MMG3

Linking a balanced scorecard and a compensation system together strengthens a linkage between everyday action and a strategy. The managers pointed out that the compensation is linked to the measures, but only to financial measures. Although the linkage between non-financial and financial measures is understood, some managers felt that compensation is not linked to their key performance measures that they use daily in their work.

Store personnel receives bonus when they sell, so in that sense it's linked... that sales are over budgeted. But I'd say that managers are not rewarded based on strategic measures, because there are expenses included, too. OMG3

In addition, there was competition between stores, which did not only measure financial outcome but also means how stores have increased their sales and whether stores have implemented the strategic change. A manager also mentioned other non-measurable reasons for compensation such as good attitude or general development.

But that kind of compensation, which would be relevant for implementing strategy, in my opinion we try to reward that too. Then we pay attention that sales are not the only thing, because that isn't the same thing. Although a store would sell really well and make everything else in a wrong way that is not worth rewarding as they should do good sales according to the concept and with those rules. That's the reason why we have tried to develop new compensation schemes. Then we sometimes reward ex tempore store for something like good development. It could be as difficult to measure as attitude, to which there is no measure, but you can notice that. That can be rewarded and has been rewarded. And I have also rewarded for being trendy, which is more difficult to measure. And we implemented our strategy with rewarding also other things than being over budget. MMG1

Also one manager believed that compensation would be more powerful in motivating employees if the level of compensation would be higher. In Casex Ltd. the current compensation scheme does not cover all employees, only top management and employees that are in sales organisation are able to receive the compensation. As a consequence, a part of the organisation is not as much strategy-driven as the others.

The continuity in the strategy work is desirable, and interviewees described how the budget process in the organisation is linked to the strategy. In Casex Ltd. measures of the balanced scorecard are budgeted besides a normal, financial budget from country to store level, which is one of the steps to make the strategy continuous.

We assume that next year our sales increase this and this much and visitors as well. And we are able to put the key measures into the budgeting process. TMG2

Although the measures are budgeted, some non-financial measures are replicated from previous year's budget, which was brought out and criticised by the managers:

Then such things as visitors or the purchase measure are not store specific, we don't do that. In that we prefer to take the actual numbers from last year as a basis or we budget them, but the basis is the last year. They are not thought thoroughly like others so we could improve. We could think that hey, there has been carried out a change in that store, they will have lots of more visitors than they used to, and the contribution margin in that store, should we budget more visitors and give up a bit in purchase measure, as it will grow because of increased visitors. MMG1

They are calculated quite close to previous year so they are similar to the last year. Sales growth is expected as well as growth in visitors, but they still go quite close if you look at them. It depends how the growth is calculated, in which way. At least if you take a look at this spring, they are really close to last year's key measures. OMG3

The targets in the budgets were criticised as well by the managers from operational level. They felt that sometimes the budgets are impossible to reach, and to some extent out of control.

It brings bit desperation as you fail so much from the budget, and then it's hard to motivate employees and keep the spirit up as we are always the last. And yes we can reach those budgets, we cheer on although we are missing the budget quite a lot, but it's more motivating if it looks possible that we can reach it. And if we can reach it many days, now we just have to raise it back. It's much more inspiring and motivating to work if the budget is possible to reach. OMG2

To be able to manage a strategy with a balanced scorecard, it is vital to handle strategic issues more often than once a year. A strategy day is held annually, and according to the respondents they were discussing the strategy in the monthly meetings. They also agreed that the strategy is taken into account daily and weekly when they discuss performance. The sophisticated information system in Casex Ltd. enables managers to see the performance on a daily basis on different levels, and therefore it is possible to discuss daily performance as well. Although there were some issues in communicating the strategy, results were communicated in a clear way and information was available for everyone in the case organisation.

In the morning we check sales, it's on the wall as open information, where we are and compared to previous year. I think it's more about how you take information. You are able to get it and we get every day these daily sales reports and cumulative sales and there we put a smiley if we have performed well, and comment and sales margins if we haven't performed that well. Information is available there all the time if you are willing to receive it. It's also already chewed how your department is doing so it's easy to see it. I think that personnel looks how we are doing, is it red or green, so they should be aware, at least the regular sales persons. OMG3

On the office level probably more often, monthly there is monthly meetings, where we at least touch the strategy at some point. The key measures are discussed when needed, they are followed every day. MMG2

The numerical result is open information, but maybe that how the strategy has been developing in a store and have they made strategically correct decisions is an issue of development discussions. MMG1

Nevertheless, a manager argued that the continuity in the strategy work could be improved. In the monthly meetings they can touch strategic issues, but only once a year they discuss the strategy profoundly. The strategy requires deeper discussion on a monthly or quarterly basis to create continuity.

We handle the strategy itself only once in a year, and otherwise we just touch it. If you have lost it already after three months, then you might have skewed the past nine months, so in that sense the feedback is important. MMG1

4.5 Participation in strategy work

After discussing deeper the features of the balanced scorecard and its relevance to the strategic issues, the focus moves back to strategy work. To understand the respondents' perceptions of the participation in strategy work, informal information as well as the deeper investigation of the interviewees' thoughts about the strategy was required. The closer examination of participation concentrates also on reflections that the managers have about their working environment.

The respondents had a quite similar perception of the word 'strategy': they highlighted that a strategy is a mean to reach a vision and in the same time it is a long-term plan for an organisation. They also pointed out that a strategy should not represent practical issues and it is in line with organisational values.

For me, it signifies different means how to make the vision real, or to implement it to the field. Shortly, it means that. So it means long-term goals, which we annually adjusted and we give numeric form to the part of the strategic goals and focus areas. MMG1

The strategy provides us the frame in which we work here. It's a long-term action plan and the aim towards which we work. In my opinion that is strategy. And in business you have to have some kind of goal that you try to reach. MMG2

In my view you can describe it easily with our vision, so if you really start to divide the vision into parts and think, from there you get lots of important things that concern the strategy. MMG1

However, according to two middle managers long-term the strategy could be clearer for store managers and personnel. The strategy is not completely implemented on the lower levels of the organisation and in the future they proposed that the strategy could be implemented more deeply by dividing it into small, concrete parts that should changed in order to work in accordance with the strategy. In their opinion face-to-face meetings are the most efficient mean to implement the strategy on the operative level.

Through them I noticed that really for our managers, who are working in stores and is not that clear what it the strategy is. So I have tried to improve our strategy process with implementing the strategy and explaining it in smaller parts that can be measured numerically. So this is our long term strategic target, and that's why you should try to really hard reach it. MMG1

I think that the meeting where we go them through and where we can think together and divide it into concrete actions, what does it mean in stores. I believe that is the best way to communicate the issue. Everybody has their own kind of readings skills, and then if we think the implementation of our values and the way how store managers experience it. Have they been able to communicate the message to store personnel, we notice it and we make up new ways to root the values and the strategy. In my mind,

the practical work is a basis and then we can begin to think the questions to which our values answer and why are we doing our work and what was our vision, but it requires repetition. MMG5

In recent years, the organisation has formed the strategy on the basis of a top-down perspective, where the top management of the group create the long-term strategy and goals, although country organisations have been able to present their view of the defined strategy in retrospect. This way the participation to the process of creating the strategy has been quite low for employees in the country organisations. The organisational members on the upper levels felt that they could affect the strategy in the strategy day, but actually they make an implementation plan based on the strategy. If the process is thought that way, it is a top-down process that includes participation in the implementation plan and phase. However, the respondents seemed to be satisfied with the situation as it was, and none of them was demanding more participation in strategy work. It seemed that they had internalized the top-down process and could not imagine that it could work better with a different process.

Well, I take care that first I have internalized the issue and it's not only some flowery sentence or something and then with implementing it to store managers. MMG1

No less, rather more, it was kind of digested already, but clearly I don't know how it could be improved, because our mission is to implement the defined strategy. However, we are quite close to the operative level, so it's not, I don't see that it'd be useful that we would create it. MMG3

In Finland it drains like a waterfall forward so it's on a store manager's responsibility to make an action plan for a store and plan the year: what does it mean in my store and in my personnel. MMG4

In my mind the bottom-up process is more like we are doing things that we can do as well as we can. In principle, all the rest are things which we can't affect... But we have to do the best on the store and country level with what we have here. TMG2

I have felt it in this short period of time that we have internalized it already. It'd be exciting to see if we change the direction clearly, how it'd feel if it comes directly from top down and then we should

internalize it. It could feel different, now this complies with our basic values, and it feels really streamlined. MMG3

A manager commented how the company had made the strategic change, which was a direct top-down process. From her perspective the strategic change was something that the company had to do, and the goal justified the means in this case. She also opened slightly how the others could have felt about the change, when she said that for some it may have felt distressed and slavish to comply with the new rules and objectives.

I understand it that when they had to make a radical change from a clothing store to a fashion store, it began from here and dot. It was hard and unemotional decision and I understand that it came from top management, the owners of the brand and the company, they have a responsibility and they give targets and say that now everybody should go to this direction. There I understand it was also safe, because it's a big change that they give you the way of action and targets. Therefore it's safe. Of course for someone it may feel slavish as now they say what I should do as there is this new strategy, and I believe some were distressed. For me it was somehow a wonderful, happy change and I didn't felt bad at all. I understood that we had to make such change to improve. MMG4

However, as the latest values were introduced, they resulted from a bottom-up process, where all employees had a chance to express their opinions. The bottom-up process aroused different feelings from highly positive to slightly suspicious feelings. Most of the managers felt that it is not their duty to create the strategy; instead the top management of the group should take care of that. When they were thinking of pros and cons of the bottom-up process, results were surprisingly similar. If employees would be able to have bigger influence on the strategy, there would be more ideas and different perspectives. Yet they all mentioned that a danger in a bottom-up process is that the direction might be lost and as a consequence new ideas might be unusable.

So if you think that we would create it from the bottom, it may not, somehow I see it that what they want from us, it comes from the owners... But if you think it opposite way that we would develop it, I don't know. Somehow I can't think that it'd be so. Although we have our basic values, which support the strategy, or how you'd say it, they help us to go the right direction. So if we now make up strategic goals for us, I think they would go to the right direction yes, because we are already quite 'in' in that. But if we should create it from the scratch, well then it would be different. In my view it works well now, somehow I think it should go that way. We commit ourselves enough now as we get the guidelines and then we can modify them. MMG3

As we now talk about the corporate strategy, it's top management's job to define, in my opinion it has to come from them. Of course, it has to be concrete enough, not only froth, but so that it is possible to be communicated to the store level also. Yes, on the store level, in the practical work, they get thoughts and ideas that may not go to the upper levels. But to me it's more a positive thing if we talk about the corporate strategy that not all of the ideas and comments of the employees are not heard as it has to be defined by the top management. The plan where are we going to. Maybe the negative side is the same; there is a long distance between top management and employees of course, so everything may not come across here. MMG2

The managers' participation to the strategy process diverged depending on the level they were working in the organisation. Top and middle managers are able to participate in the strategy work during the strategy day, when they go through the new strategy and form a country strategy for next year as depicted earlier in subchapter 4.2.1.

It goes partly to both directions, big strategic plans are made in the head office together with country managers, who present it to us, and then we start to think it in our own department how we can meet targets and that way we are doing the action plans. After we have made the action plans we present them and get them approved, whether these the right things from others point of view. I think we do it together a lot, we have these strategy planning days, and there we know what each department has thought and there we can give comments if somebody has spotted something. MMG5

Managers in the operative level argued that for them participation to strategy work means implementing the strategy in stores and introducing it to store personnel. In implementing the strategy, the responsibility to reach targets was in a significant role. From their perspective the only way to communicate strategy to the upper levels in the organisation was to give feedback after the strategy was introduced.

My input is store work and then to ensure the profitability. Profitability in my responsibility area, it is my duty to ensure that business is profitable, then there is also strategy implementation with the employees, communication with employees and customers, what feedback we get and how we take all these campaigns. That is the way I implement the strategy. It is on my responsibility that we reach the budget, what I do to improve the performance and everything like this. Everything such as follow-up, giving feedback and such things belong to my job description. OMG1

During the interviews it became clear that actually neither top management nor operative level managers thought that store managers should have significant role in strategy participation. Their role in the organisation is to implement the strategy with help from the office than actively participating in strategy work.

Usually the role of a store manager everywhere where they have this kind of organisation is the same. There is an expert in every area and from our store perspectives men and women of one thing. There a store with its store manager has quite a pressure from different directions. They should be able to carry out all wishes and strategies from different functions and to integrate them somehow as well. It's a challenging job. However, I believe that here the strategy is understood as well as the goal where we are going to. The growing pains are different in different places, but I don't believe there are persons who believe that we should be as we used to be. I think everybody has accepted it. MMG1

I think they support that way we get concrete targets. We get the budgets from up there, and we don't have to calculate by ourselves that in the previous year it was this and this, now I have to add there this much. From there we get daily focuses and others directly and it makes our practical work here easier. There is that specific target, which is our annual target, and we try to reach. If we do it here, it would take a lot of time, and there they divide targets into right parts so they are correct. Then we receive help from there, HR department helps with all personnel issues. You don't have to dig information from elsewhere, it would decrease the store efficiency if we would do that. They are experts there and it's really good, from there we find help. OMG2

The organisational change had also affected the working environment of the respondents, in particular the environment of the managers who are responsible for sales. The organisational change was carried out couple of years ago, and therefore managers who have been in Casex Ltd. less than that did not notice significant changes in their working environment. In addition, some managers working in the support functions do not agree with the general opinion of the change in the working environment:

Not in particular, we used to follow the numbers earlier, too. MMG2

In contrast, especially the operative level managers agreed that their working environment has changed dramatically compared to the past. The way they work has changed; they plan and

use the concept more than they used do. Also clothes they sell are more fashionable and the exterior features of a store have changed.

It has been changed a lot, the whole appearance in the stores has changed and it's tidy all the time, it looks nicer and you get inspired in a different way because it looks really nice. A fashion level has risen clearly during the couple years that I was away, it's different compared what it used to be. All trainings and such things, they offer training and inspiration for store designers, when they do something together that they can also use here. And that we use our values in the daily work, it brings more commitment and we think that we want to be the best. The fact that we have tools for every situation, you can see it in work every day. OMG2

The past organisational change enables the interviewees to assess the attitude towards a change in the organisation. The general opinion of the managers was that in the first place, the change was not desired and the managers did not believe the change will be implemented. As the work load was increased mostly in stores, store personnel felt that new requirements were impossible and the pressure was too much.

Well, the general attitude was of course first that what it is again. It has been tried many times in this company during nine years and they promised some things like is how we are going to do it in the future or things are going to change like this and this. We have many managers, who have been in the company long time and who didn't believe that something actually changes. As we were told many times that now it happens, and it never did. MMG5

Well, it's probably so that if something new comes, you have to suspect it first, is there something behind. And we worried that it increases our work load, and our hours aren't sufficient anymore and we have no time do such things. OMG2

I have a feeling that we want to change. First, it was that the employees complained they require too much from us, and it's not possible. But now what we have had the development discussions they say that they could not imagine how the change would effect. OMG1

The positive attitude towards a change can be seen from the third quote. After the strategic change was conducted and employees were able to see that the change affects the organisation, their attitudes turned to be more positive. An operating level manager depicts

the change process from her view and how her attitude changed after she noticed that the change improved performance:

Yes it was like what is this, aren't we tidy enough already and it can't affect anything, so you suspect it. And in big machines like this employees do it a lot... I have that kind of belief, I know that also here they suspected that can it affect anything. But when you see it in your own eyes that it affects, then you just have to believe that it has an upraising effect and we are able to reach our goals with this new thing that has been launched. You have to believe this is the right way to do this work. OMG2

As a result, the respondents said that the attitude towards a change in Casex Ltd. is now mostly positive and the employees are able to handle changes, because lessons were learned from the last change. Two managers suggested different reasons for the positive attitude such as urban living style or dynamic fashion presented in their stores:

Here in the big city people are used to that change happens and life is more hectic, all the time something new comes. In the smaller places I believe there has been more like why we should change something here, we have always made it this way and therefore it goes that way. OMG2

In fall 2010 the case company is going to change their strategy process in a way that the process will start from the operative level. At the time, the organisational change was subsided with the introduction of new organisational values that were gathered with a bottom-up process, so employees of Casex Ltd. have experience of the bottom-up process.

We were allowed to be free-minded and we had those post-it slips, to which we wrote one word, which came to mind when we were thinking of Casex Ltd. We made it here in the office and also the stores had the same process... but then we had plenty of slips, of which we chose together and ranked and thought and explained and discussed. In a sense, we agreed that these are the words and then the country manager went to the group office to show our words. MMG4

Indeed, the case company is about to change its strategy process so that also store personnel and operative level managers are able to make suggestions concerning the strategy. Initiative

may have come from the group office, but the country manager promotes strongly participation and is seeking better ways to gather comments from the field.

But when we have a really large resource dispersed around the country, and lovely, committed people working for us, it would be great be able to collect easily the thoughts, ideas and comments, so that we could elaborate and improve and find the pearls of the strategy. We have the vision and it's good, it's safe, but there could be found something new that would take us further. TMG1

A middle manager, who is involved in the new strategy process mentioned possibilities, which the new perspective could offer for the organisation such as increased commitment and the general acceptance of the new strategy. She was enthusiastic to implement the new process and believed that strategy work, which has been made over the years, gives an adequate basis for turning the strategy process upside down and starting it from the bottom.

They are two different things. We have had two different processes to create the strategy and now when we are thinking of next year and we have this five-year plan on management level, now we have this bottom-up process in use... But in a way it's really nice that the sales persons are involved, so they are also in our journey to create the strategy how we can reach it. Everybody has a chance to make a difference. MMG4

Well, the level of commitment is different when it starts from the bottom and from the mass. I believe it's easier to commit on the things that have been decided when the process has began like this than they would be given to you and you should learn and approve them. I also believe when I'm thinking of this day and this new strategy, it comes from bottom up and we understand it also on store level what we want to be and who we are. MMG4

The quote below from a country manager shows what she is thinking of the bottom-up process of the strategy, and who will make the decision how the strategy process goes. If the quote is analysed, it could be interpreted so that the top management of the group had decided to promote strategy participation by implementing a bottom-up strategy process, and therefore a new strategy process will be introduced.

As such it is an organizational decision how they want to do the strategy, whether it comes from top or do they want a regular bottom-up process. They necessarily don't need to do that. TMG1

5 DISCUSSION

The purpose of the previous chapter was to describe the role of the balanced scorecard as well as participation in the strategy work against the empirical reality of the case company – in order to make meaningful interpretations from the gathered evidence. In this chapter the empirical findings are discussed and theorized in the light of previous studies and theoretical pronouncements on the balanced scorecard and strategy participation.

5.1 Facilitating strategy implementation with balanced scorecard

The idea of using a balanced scorecard as a strategic management system has been attested to be working (Ahn, 2001; Atkinson, 2006; De Geyser et al., 2009; Mooraj et al., 1999; Kasurinen, 2002; Tuomela, 2005), but several studies made of a balanced scorecard have not been able to provide a coherent and united picture of the use of a balanced scorecard. In the first place, Kaplan and Norton (1996a, 1996b) suggested that a balanced scorecard could be used as a strategic management system in addition to a measurement system. A framework of a balanced scorecard developed by Kaplan and Norton (1996a, 1996b) has been scrutinized throughout, and yet there are issues that remain unanswered such as the theory of a strategy-focused organisation (Kaplan and Norton 2001a, 2001b, 2001c), which stated to facilitate strategy implementation in an organisation.

From the empirical evidence it became clear that the case company has used the framework of the balanced scorecard as basis in developing their measurement system. However, attention must be paid on the fact that the balanced scorecard is developed for the group level, of which the case company uses only relevant parts to control their operations. Compared to the perspectives that Kaplan and Norton (1992) defined relevant, measures used in the case company can be grouped to financial, customer and internal measures. Moreover, the existing cause-and-effect relationship between the measures enabled the case company to use the balanced scorecard as a strategic management system and the measures met the requirements

that Chenhall (2005) placed for an integrative strategic performance measurement system as well.

Goold and Quinn (1990) developed a strategic control framework, which illustrated how useful strategic control system can be for an organisation. If an organisation has low environmental turbulence and can specify and measure precise strategic objectives, a strategic control system is valuable for an organisation. On the other hand, if environmental turbulence is high and an organisation cannot specify and measure precise strategic objectives, it is going to be problematic for an organisation to use such system. If these two dimensions are thought in the case company, they are able to specify and measure precise strategic objectives, but as it was described in section 4.1, fashion industry companies have to face high environmental turbulence. With this kind of combination Goold and Quinn (1990) observed that strategic management system is valuable, but due to high environmental turbulence it should not be administered tightly. The empirical data shows that the case organisation can facilitate strategy implementation with using the balanced scorecard as a strategic management system, but there are certain measures that conflict each other. If the system would be administrated tightly and it would not allow making compromises, it could make employees unwilling to use the strategic management system.

Measures are playing a big role in making the strategy in the case company. The intensity varies across the organisation, but it became clear that measures have a powerful position that guides action. Additionally, measures were used as a basis for discussions, in the monthly meetings and in other formal and informal events. Related to the role of measures in strategy making, Kaplan and Norton (2001a, 2001c) defined five fundamental principles how a balanced scorecard can be used to facilitate the implementation and management of a strategy. How the principles are realized in practise compared to other theoretical findings (e.g. Ahn, 2001; De Geyser et al., 2009, Fried, 2010; Hall, 2008; Malina and Selto, 2001) is analysed next.

A balanced scorecard is proposed to have the ability of translating a strategy into action, that is, to link strategic goals to operative goals (Kaplan and Norton, 2001c; Chenhall, 2005). The empirical data revealed that measures create a connecting thread between the strategy and action, especially non-financial measures. Non-financial measures have a powerful effect on the planning and working in a store, where a daily plan was adjusted in accordance with the results from the previous day. Moreover, the operative level managers made efforts to make store personnel to understand the meaning of non-financial measures and how they are calculated in order to ensure store personnel is working in accordance with the strategy.

In addition to planning and working in stores, measures enable managers to control performance within a week and for example, to adjust a marketing plan at short notice. If they noticed that measures reflect underperformance in the beginning of the week, they were able to act accordingly and release a marketing campaign. These findings support previous studies (Ahn, 2001; Bhimani and Langfield-Smith, 2007; De Geuser et al., 2009; Malina and Selto, 2001; Mooraj et al., 1999) that organisations can use a balanced scorecard to improve strategy implementation by translating the strategy into action.

In order to improve strategy implementation, a balanced scorecard is stated to align an organisation to create synergies (Kaplan and Norton, 2001c). The case company had fine-tuned its organisation structure recently to meet the demands, which the field had expressed. To increase support to the field, the regional structure was modified and regions have now their own controllers as well as store designers. The purpose of having regional controllers was to strengthen the position of measures and numbers in the field, and to increase the continuous feedback to regions and stores.

Furthermore, one of the principles developed by Kaplan and Norton (1996b, 2001a, 2001c) that streamlines an organisation towards a more strategic mindset is to make a strategy to everyone's everyday job. Aforementioned includes communicating to both directions, developing scorecards in lower levels and linking compensation to a balanced scorecard.

However, the empirical evidence was conflicting, partly supporting and partly undermining the argument. The findings corroborated previous studies that a balanced scorecard supports top-down communication, but bottom-up communication emerged mostly in the form of feedback. Challenges in communication were acknowledged throughout the organisation, and the respondents expressed clearly that communication needs to be improved. Top-down communication suffered from information overload and from too general information. Information was not adapted to recipients, and that caused problems as well. The main issues in the organisation concerned bottom-up communication, which was nearly non-existing at grass-roots level. Based on the findings of the study, the effect of the balanced scorecard on communication did not support the view of Kaplan and Norton (1996b, 2001a, 2001c). Ahn (2001) reported that the balanced scorecard supports communication, but he focused on strategy awareness and meetings, where the strategy was communicated. If the focus is turned directly to communication process, empirical evidence is supported by Malina and Selto (2001), who argued that a balanced scorecard is linked to top-down communication, and Ferreira and Otley (2009) agreed that communication poses a challenge for the balanced scorecard.

In addition to communicational perspective, compensation can also integrate work to a strategy. Kaplan and Norton (1996b, 2001a, 2001c) proposed that compensation should be linked to a balanced scorecard and partly the case company had linked the compensation to the measures of the balanced scorecard. Yet not all employees receive compensation, and that has a negative impact on aligning strategy and work. As compensation guides work powerfully, employees who are not in the compensation system may not execute strategy as efficiently as ones who are receiving compensation. The empirical evidence also support the findings of Ittner et al. (2003a) and Lipe and Salterio (2000), as they observed that compensation is more probable linked to financial measures than non-financial measures. In the case company, compensation was linked to the balanced scorecard, but only to financial measures. As a result, not all employees receiving compensation felt that compensation is linked to the strategy, although they understood the connection between financial and non-financial measures. Non-financial measures were felt to be more linked to the strategy than financial measures.

According to Kaplan and Norton (2001c) making a strategy a continual process can be depicted as an evolving process including linking a budget to a strategy, organising several management meetings concerning a balanced scorecard and strategy during a year, creating open reporting and finally, learning and adaptation based on a balanced scorecard. The balanced scorecard was linked to the budgeting in the organisation, but not all non-financial measures were analysed critically in the budgeting process. A problem was that some measures remained fixed compared to the previous year, although growth was expected in other financial measures. The strategy as such was discussed annually, and additionally, measures and the strategy were discussed in the monthly meetings. However, the monthly meetings were more focused on performance than on the strategy, and the organisation should organise more often meetings concerning the strategy in order to make the strategy truly a continual process. On contrast, open reporting was carried out very well as all employees are able to see measures that are relevant for them. Indeed, information is available from many sources and due to increased resources in the control function, measures and results were communicated well throughout the organisation. The organisation used the balanced scorecard also for strategic learning, as they adapted their operations according to the balanced scorecard. Nevertheless, as the group management create the strategy annually, and not the country management, the study cannot commit to what extent the group management use the balanced scorecard for learning and adaptation purposes. Ahn (2001) and De Geuser et al. (2009) observed similar findings concerning the continual process, and the empirical evidence promotes as well the findings of Fried (2010) and Malina and Selto (2000) who pointed out that the balanced scorecard enables strategic learning.

The last principle of a strategy-focused organisation (Kaplan and Norton, 2001a, 2001c), mobilizing leadership for change, can be seen as challenging, but also necessary for a strategic management system. Basically, the last principle requests that a balanced scorecard is regularly updated in accordance with a changing strategy. In fact, a leader who is responsible of a balanced scorecard has a significant and challenging role, which also Kaplan and Norton (2001a, 2001c) highlighted. In order to mobilize a change, a leader should

emphasize communication, participation, and employee initiative and innovation. This particular principle has not yet reached consensus as the findings are conflicting, but it can be said that the findings of De Geuser et al. (2009) and Malina and Selto (2000), top-down communication and non-existing participation in a balanced scorecard process, do not underpin that a balanced scorecard would enable mobilizing a change, at least a change emanated from the bottom. The study will shed more light on the issue of participation in next subchapter and analyse it from various perspectives, but evidence gathered from previous studies (De Geuser et al., 2009; Malina and Selto, 2000; Mantere and Vaara, 2008) suggest strongly that a balanced scorecard do not support participation in a strategy process.

To conclude, in the light of the empirical evidence the balanced scorecard seems to facilitate implementing and managing the strategy. It links long-term and short-term goals in a way that translates the strategy into action, and it aids the alignment of the organisation. In addition, the balanced scorecard appeared to be effective in making the strategy everyone's everyday job, in particular when it comes to compensation with non-financial targets. Communication seemed to be more problematic, especially bottom-up communication. Top-down communication seemed to be working well when the balanced scorecard was used. Making the strategy as a continual process contributed to facilitate the implementation, and with the balanced scorecard a continual process was able to develop to a strategic learning phase. However, the principle of mobilizing leadership for change appeared to be problematic. It relies strongly on a leader's skills to mobilize a change through employee participation, and only way to increase participation is a leader's encouragement. Seemingly, the balanced scorecard does not provide other means than a leader's capability to promote participation in strategy work, and that seems to be the frailty of the balanced scorecard in strategy implementation.

5.2 Impeding strategy participation in the organisation

In the previous section the investigating the effect of a balanced scorecard on strategy participation was not completed and the analysis of participation in strategy work will be conducted in this section. As a starting point for the analysis, the features of budget participation are compared to the empirical evidence on strategy participation. Subsequently, discourses promoting and impeding participation are examined. Special focus is on a technologization discourse, which Mantere and Vaara (2008) connected to using a balanced scorecard as a strategic management system.

According to Shields and Shields (1998) budget participation can assist in specific situations that make demands, such as uncertain environment, information asymmetry and task interdependence. They stated that in uncertain environment budget participation can facilitate planning and goal setting, and the empirical evidence of the study showed that strategy participation, and in particular a bottom-up process creates a higher commitment to the strategy and therefore facilitate planning and goal setting. If there is information asymmetry in an organisation, budget participation was suggested to motivate subordinates. This can be the case in case company as well, as lower level managers were not satisfied for example with target setting. If they could influence on the strategy and consequently on target setting, they could be more motivated to reach targets that were discussed in the strategy process. Related to budget participation, it was said that it could coordinate interdependencies between tasks, and that could materialize in strategy participation as well. The findings did neither corroborate nor undermine the aforementioned argument, but the first two arguments are supported by the empirical evidence.

A technologization discourse was depicted by Mantere and Vaara (2008) as a system that controls individual's action and therefore, it mitigates the freedom by constraining decision making. In the case company, the balanced scorecard was not experienced to limit freedom, although it comprised some elements that a harsh interpretation could associate with a

technologization discourse. A main reason for employees not experiencing that their freedom is limited might be that non-financial measures have been in use longer than a decade in the case company. The employees are used to a measurement with non-financial measures, and therefore they do not object measurement. However, on the operational level it became clear that the targets are strict, especially non-financial measures, and sometimes hard to reach. Indeed, as a discourse impeding participation, targets were set by superiors, and although targets were not met, operative level managers could not have an influence on the target setting. If a technologization discourse is analysed a bit further, the case could be different if non-financial measurement would have been introduced some time ago, and the employees would not have been used to it. As Vaivio (2004) described, employees resisted non-financial measurement when it was introduced, as they felt the non-financial measurement decreased their freedom.

As a discourse impeding participation, a mystification discourse (Mantere and Vaara, 2008) could be more appropriate to depict the prevailing discourse in the organisation. The strategy was clearly top management-driven and created in a small group in the group office, but the planning process was not a secret. For example, grandiose words ‘vision’ and ‘values’ had a remarkable role in the organisation. In a sense, the word ‘values’ did not underpin the power of top management as they were planned in a bottom-up process, but in the end top management decided which of the suggested values ended up as a corporate values and were familiarized to employees. Mantere and Vaara (2008) mentioned that mystification decreases critical reflection of the strategy, and that could be partially the case. The employees thought that it was the duty of top management to create the strategy, and most of them did not want to get involved in the process. They felt top management had the best knowledge and understanding to which direction the organisation aims in the future. This finding corroborates strongly with Mantere and Vaara (2008) as they argued that the other members of an organisation do not see problems in a top-down process, if a discourse that impedes participation is dominating. However, the managers admitted that with a bottom-up process, more attention would be paid to multiple perspectives.

According to Mantere and Vaara (2008), discourses promoting strategy participation are used intentionally to resist traditional discourses that impede participation. That was reflected from the empirical evidence as well, as the country manager stated that if the organisation has to make a decision of which strategy process they use, and a bottom-up strategy process is not a necessity, as an organisation can decide whether to use a bottom-up process in strategy work. To promote participation an organisation needs to make a decision, but having a discourse that impedes strategy participation is a normal condition. In the case company it was clearly decided that the next strategy process will start from the bottom, and therefore a discourse increasing participation exists in the organisation as well.

A discourse promoting participation (Mantere and Vaara, 2008) was perceived in the organisation that could be interpreted as a supporting evidence on Kaplan's and Norton's (2001a, 2001c) argument of mobilizing leadership for change. A dialogization discourse, which integrates top-down and bottom-up communication, was recognized in the case company, but only between top and middle management. Middle managers were able to attend the annual strategy day, where they analyse the strategy for next year and make the action plan, but operative level managers received only the information of the coming strategy and action plan. As a result, dialogization was not carried out throughout the organisation, only between top and middle management. For those organisational levels, the description of dialogization by Mantere and Vaara (2008) is convenient: the task of the top management to outline the strategic objectives is not challenged, but neither is the right of the organisational members to participate in strategy work questioned. Indeed, they observed that dialogization was in most cases more of spokesmen's talk to promote participation than reality in the organisations, which appears the case also in the case company. Indeed, the last sentence appears to describe well the current situation in the organisation.

On the contrary, Kaplan and Norton (2001a, 2001c) highlighted that an organisation can promote a change with a leader, who pays attention to communication, participation and employee initiative and innovation. However, if the principles of a strategy-focused organisation are examined closer, it can be seen that the other four principles facilitate

strategy implementation and the last principle attempts to facilitate strategy implementation and strategy participation. Basically, facilitating strategy implementation means that a strategy process is streamlined, but strategy participation does not streamline a strategy process, in opposite it makes a strategy process more complex and intermingled. It could be said that the balanced scorecard can mobilize a change, but it does not promote strategy participation. However, an organisation can promote strategy participation if they have decided to do it as the case company had, but promoting strategy participation is not directly linked to the features of a balanced scorecard.

A careful conclusion could be made that a balanced scorecard as such impedes strategy participation, but if an organisation has decided to increase participation and has chosen a leader who is committed to develop and improve strategy participation, an organisation using a balanced scorecard as a strategic management system can promote strategy participation. The empirical evidence builds partially on the work of Kaplan and Norton (2001a, 2001c), but only with a strict provision. It seems that balanced scorecard can be used for mobilizing leadership for change, but it cannot promote strategy participation. Strategy participation can be promoted with making an organisational decision to think and act in a way that promotes strategy participation, and with choosing a leader who is devoted to emphasize communication, participation, and employee initiative and innovation.

6 CONCLUSION

After presenting a detailed case description of the effect of a balanced scorecard on strategy process and subsequently discussing the results of the empirical evidence with regard to relevant previous studies, the purpose of this final chapter is to further elaborate on the conclusions that can be drawn from this examination. First, the key findings of this study in light of research questions are presented, and then the limitations of this study are discussed. Finally, suggestions for further research are introduced in the last section.

Going back to the purpose of this study, the aim was to examine the effect of a balanced scorecard on strategy participation. Kaplan and Norton (2001a, 2001b, 2001c) introduced the theory of a strategy-focused organisation, which aims to facilitate strategy implementation in an organisation. Several researchers (Ahn, 2001; De Geyser et al., 2009; Epstein and Manzoni, 1998; Lipe and Salterio, 2000; Malina and Selto, 2001; Mooraj et al., 1999) have studied how a balanced scorecard can be used as a strategic management system, but none of them have focused to study strategy participation, which is one element of a strategy-focused organisation. In addition, Mantere and Vaara (2008) observed that a balanced scorecard is linked to a discourse that impedes strategy participation that conflicts with an argument made by Kaplan and Norton (2001a, 2001c). Therefore it is interesting to study that although a considerable amount of research has shown the advantages of a balanced scorecard for a strategy process, can a balanced scorecard promote strategy participation as well.

The method of this study can be categorized into qualitative management accounting research, which pursues finding explanations for case observations through interpretation. In particular, the study is a theory refinement study (Keating, 1995) that brings a theoretical starting point under the loop of empirical examination and critical evaluation. The empirical findings are based on ten interviews made in one case company and the status of respondents varied from top to operative level managers.

6.2 Results and limitations of the study

Key findings and limitations of this study are presented in this section, and to articulate and categorize the findings explicitly, the research questions are presented below.

- How a balanced scorecard affects strategy participation?
 - How a balanced scorecard can be used as a strategic management system?
 - What strategic discourses that can promote or impede participation are linked to a balanced scorecard?

By examining the research questions above, this study builds up previous management accounting literature in the following ways. First, it provides an insightful description how a balanced scorecard is used in the organisation. Although the use of a balanced scorecard is widely studied, this study focuses on how a balanced scorecard can be used as a strategic management system. Second, the study sheds more light on how the use of a balanced scorecard affects strategy participation and it builds up an academic discussion by providing a critical view towards the ability of a balanced scorecard to increase participation. Next, the key findings presented and discussed.

To better understand how a balanced scorecard affects on strategy participation, the research question was separated into two sub-questions. First sub-question concerned how a balanced scorecard can facilitate the process of strategy implementation, and the concept of a strategy-focused organisation was examined. The concept of a strategy-focused organisation includes five principles, and the empirical findings supported the argument that a balanced scorecard can facilitate strategy work. However, the findings from the empirical data and previous studies suggest that a balanced scorecard facilitates a strategy process by streamlining the implementation of a strategy. It appears that a streamlining strategy implementation aims to a

top-down process, which can be cascaded down an organisation. The empirical findings corroborate that a balanced scorecard can translate a strategy into action, align organisational structure, make a strategy everyday work and to make a strategy a continual process, which are the first four principles of a strategy-focused organisation. The last principle of mobilizing leadership for change is not as unambiguous argument as the previous arguments are. A balanced scorecard can mobilize leadership for change by choosing a leader who promotes participation to manage a balanced scorecard process, but it does not promote employees to participate in a strategy process. Nevertheless, although keeping in mind the provision concerning mobilizing leadership for change, the findings of the study shows that a balanced scorecard can be used as a strategic management system, in particular if an organisation pursues a top-down strategy process.

Previous studies connected using a balanced scorecard as a strategic management system with a technologization discourse, which impedes strategy participation. The findings from the empirical data connected the case organisation to a discourse that impedes strategy participation, but to a mystification discourse. At the same a dialogization discourse, which promotes participation was found from the organisation. The findings corroborate with Mantere and Vaara (2008) as they observed that different discourses can exist in an organisation, but usually a prevailing discourse is a traditional discourse that impedes participation. Therefore, based on the empirical evidence the findings show that in this specific context both participation impeding and promoting discourses were attached to an organisation, which used a balanced scorecard.

After examining the sub-questions, the examination of strategy participation can continue with analysing the effect of a balanced scorecard on strategy participation. It seems that a balanced scorecard can be used for mobilizing leadership for change, but it cannot promote strategy participation. According to the empirical and theoretical evidence, an organisation can increase strategy participation with making an organisational decision to think and act in a way that promotes strategy participation, and with choosing a leader who is devoted to emphasize communication, participation, and employee initiative and innovation. If an

organisation does not decide to pursue strategy participation and a balanced scorecard is in use, in the light of the empirical findings strategy participation is not going to be promoted.

However, the theoretical conclusions that can be drawn from the findings are subject to limitations concerning the method of empirical data collection in one specific empirical context. The aim of this study was to present findings that could either corroborate or undermine previous research, and therefore this study pursues to make generalizations in a theoretical sense, not in a statistical sense (Scapens, 1990). Yet, the empirical data is based on interviews and observations made in single case organisation, and it presents its organisational reality in a specific time frame. The interviewees presented mostly top and middle management, and the operative level managers were from a metropolitan area so the study has a limited view towards lower levels of the organisation as well as managers from more rural areas in Finland. The access limitations concern the role of an outside researcher as well, as the access to observe daily reality in the organisation was restricted into a few visits to the field.

6.3 Suggestions for further research

After evaluating the results of the study, five suggestions for continuing this study are put forward. When studying the balanced scorecard, strategic discourses provide a fresh point of view to approach the subject. Discourses also reflect the organisational reality, which could be awkward to study, if a study concentrates on examining the techniques of the balanced scorecard that an organisation uses.

First, as the study was conducted as a single case organisation, the research area could benefit from another study in a different time and place. As management accounting phenomena are linked to a specific time and space, it would be interesting to study whether the combination of the balanced scorecard and a discourse impeding strategy participation will recur in another

organisation as well. So far the findings of this thesis and the study of Mantere and Vaara (2008) support a statement that using the balanced scorecard as a strategic management system is linked to discourses impeding participation. These findings suggest that if an organisation attempts to control its strategy process by implementing a strategic management system, employees participate less in strategy work.

The second suggestion for future research is linked to the idea of controlling strategy, in particular to organisation culture. Organisations, which are more bureaucratic and hierarchical, tend to be willing to control operations by planning actions in advance in a rather structured way. It could be said that the balanced scorecard is convenient tool to control a strategy process, and therefore hierarchical organisation are more likely to implement the balanced scorecard as a strategic management system. If it is assumed that hierarchical organisations do not promote strategy participation as much as organisations with less bureaucracy and hierarchy, this could provide a partial explanation of the results of this study. Therefore, it would be interesting to study an organisation with an informal and innovative organisation culture, where employees are used to brainstorming and the responsibilities are more mixed and ambiguous. When studying such organisation it could be examined whether the balanced scorecard can be used for controlling strategy or does it create bureaucracy in the strategy work that was not there before.

Third, additional studies could be made of an organisation, where a discourse that promotes strategy participation is prevailing and the balanced scorecard is used as a strategic management system, for example, public sector and non-profit organisations. The balanced scorecard is used and studied in various organisations, and the difference is that public sector and non-profit organisations have different goals compared to the goal of companies to increase shareholder value. This kind of study could illuminate better the combination of a using the balanced scorecard and promoting strategy participation at the same time. In particular, it could be analysed how dominating the effect of the balanced scorecard to create a top-down strategy process is and how an organisation that promotes participation uses a balanced scorecard. The study could reveal a different way to use the balanced scorecard in

an organisation, which increases strategy participation as well. If an organisation can be found meeting the criteria of the second suggestion, it would be exciting to see how it can promote strategy participation while simultaneously using a strategic management system, which usually is oriented to a top-down strategy process.

Fourth, discourses that are linked to a balanced scorecard can provide a fertile ground for further research. Through studying strategic discourses linked to a balanced scorecard, the nature and different connotations of a balanced scorecard could provide a deeper understanding how of a balanced scorecard affects strategy processes in an organisational reality. Also, a deeper study could be insightful when it comes to strategic discourses by either extending the scale of the study to cover more employees from lower levels or studying the subject as an inside researcher in an organisation. An inside researcher can have biased perceptions of the case organisation, but the risk of interpreting empirical data in a way that does not correspond the reality of an organisation would decrease as well.

Lastly, the case company is going to implement a bottom-up strategy process, which would be exciting to study. If the organisation can change the strategy process, it is likely that the strategic discourses are changing as well. It was stated that organisations can change strategic discourses intentionally by paying attention to the thoughts and talk of the strategy, how employees are thinking and making sense of the strategy. In this case, the organisation uses the balanced scorecard to control the strategy, which does not support strategy participation. Since the organisation has decided to promote strategy participation and begins the strategy process from a store level, the transformation from a top-down organisation to a bottom-up organisation provides plentiful perspectives for future studies.

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APPENDIX 1: List of interviews

Top manager TMG1	55 min
Top manager TMG2	66 min
Middle manager MMG1	54 min
Middle manager MMG2	27 min
Middle manager MMG3	35 min
Middle manager MMG4	73 min
Middle manager MMG5	37 min
Operational level manager OMG1	35 min
Operational level manager OMG2	57 min
Operational level manager OMG3	47 min

APPENDIX 2: Interview questions

Interviewee's background

What is your position and responsibility area in the organisation?

How long have you worked in your current position?

Strategy

What does the word 'strategy' mean to you?

What kind of strategy the organisation has?

Implementing strategy

What kind of strategy process the organisation has? Does it work?

How do you participate in the organisation's strategy process? How would you like to participate?

How the strategy is communicated in the organisation? Does it work?

What role the key measures have in implementing strategy?

Do the key measures form a basis for open discussion?

How the strategy process could be improved?

Measures - balanced scorecard

What kind of measures are in use? How they are selected?

How long the existing measures have been in use?

Do the key measures focus on measuring right issues?

Were you involved in the group, which selected the measures? What was your role?

Strategy-focused organisation

Do the key measures have cause-and-effect relationship; do they form a logical whole?

Do the key measures support the organisation's strategy?

Do the key measures translate strategy into action?

Does the organisation structure support strategy?

Are the key measures linked to compensation?

Are the key measures linked to budgeting?

How often the key measures and strategy are discussed in the organisation, can everybody see the results?

What kind of attitude towards change there is in the organisation?

Has your working environment changed after the strategic change? What kind of changes there has been?

What kind of support or information you would like to have from the organisation so that you could better implement strategy in your work?